



KING SABATA DALINDYEBO MUNICIPALITY ANNUAL REPORT 2009 / 2010

Prepared in the Office of the Municipal Manager

January 2011

King Sabata Dalindyebo Municipality
P.O Box 44
Mthatha
5100
South Africa

Tel: (+27) 47-501-4
Fax: (+27) 47-531-2085

Web: www.ksd.org.za

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Glossary of Terms

AG	Auditor General
CFO	Chief Financial Officer
DBSA	Development Bank of South Africa
DLGH	Department of Local Government and Housing
DWAF	Department of Water Affairs and Forestry
GAMAP	Generally Accepted Municipal Accounting Practise
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
IDP	Integrated Development Plan
KPA	Key Performance Area
KPI	Key Performance Indicator
KSD	King Sabata Dalindyebo Municipality
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MoU	Memorandum of Understanding
MPRA	Municipal Property Rates Act
MTREF	Medium Term Revenue and Expenditure Framework
PGDP	Provincial Growth and Development Plan
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

Part 1: Introduction and overview

A. Foreword by the Mayor

It is my privilege and indeed my pleasure to present, for the information of our stakeholders, this Annual Report of KSD Municipality for the Financial Year Ended 30 June 2010.

This report should be seen as an exercise in accountability to the Council and people of KSD, and an endeavour to explain and quantify the Municipality's developmental activities for the period under review. An important attribute of this report is that it mirrors, successfully, the Municipality's framework for development and service delivery as it is articulated in our Integrated Development Plan for the year, and that the costs and quantifications contained herein are as per the Budget approved by Council for the same period.

By their very nature, service delivery and infrastructural development are ongoing processes, thus one will find that some of the operations encapsulated in this Annual Report are a continuation of activities from the previous Financial Year, whilst some have of necessity had to flow into the next Financial Year.

In presenting this Annual Report, I find it incumbent upon me to commend responsible Directorates and Departments for the achievements that the Municipality has attained in responding to the needs and aspirations of our people. I also want to compliment the political oversight from the responsible Councillors that ensured that Council resolutions and the aspirations of the people found adequate expression in the activities of Directorates and Departments. This Annual Report does not in any way seek to smooth over the challenges and shortcomings that the Municipality experienced in this regard. In fact, this report reflects not only our successes, but also those areas where service delivery and development did not live up to our expectations.

In conclusion, I hope that this Annual Report will be accepted not only for its status as a statutory necessity, but also for its value as a symbol of transparency and a reliable yardstick for progress in our ongoing efforts to create a better life for the people of KSD.

Enkosi!

COUNCILLOR S. MLAMLI
EXECUTIVE MAYOR

B. The yearly program priorities' statement

The 2009/10 financial year has been a year in which the municipality stepped up a gear to Deliver services to the people of KSD Municipality. This happened against a backdrop of the 2010 World Cup which our country successfully hosted.

As part of the 2010 World Cup, our Municipality built a magnificent stadium. We are also pleased with the strides we have made in delivering effective and efficient services during the period under review as can be seen in chapter 5 of this report. We are acutely aware that a lot of work still needs to be done particularly in the area of Infrastructure and community services. The challenges we face and accept in these areas can only be overcome if we work closely with others spheres of government as directed by the Constitution.

With respect to the period under review, and what was the case in previous Financial Year the Municipality has the following priorities:

1. Road maintenance and upgrading.
 - SANRAL started with the Madeira Street and Nelson Mandela Drive roads upgrade together with the rehabilitation of the sidewalks in December with expected completion before March 2011.
2. Water and sanitation development.
 - OR Tambo upgraded the pump stations at Thornhill Water Works and Fort Gale to increase the quantity of water supply to the various reservoirs.
3. Electrification.
 - KSD continued with the electrification, 500 units were completed in Zimbane Valley Extension, Bongweni and Jo Slovo Extension.
 - KSD made an emergency appointment to Taylor and Associates for Consulting Electrical Engineering Services for the upgrading of the KSD Electrical network in October 2009.
4. Performance management system and staff development.
5. Revenue generation revival project.
 - A Contractor (Bigen Africa) was appointed to do revenue collection on outstanding debts starting in July 2010.
6. Tourism development.
7. Local economic development programme.
 - The first phase of the Stadium Development was completed, and DRSAC provided R120m for the second phase of the construction, it started in August 2009 for completion before World Cup commenced.
8. Acceptable administrative and technical skills development.
9. HIV/AIDS for infected and affected.
10. Institutional development and council support.
11. Development and implementation of and ICT Master System plan.
12. Rationalisation of by-laws.
13. Housing development.
14. Urban renewal programme.
 - The Ngangelizwe Clinic and Transido Economic Park upgrade projects commenced early in 2009 and their completions were expected to be in November 2010.
15. Multi-Purpose centres and community halls.

16. Crime prevention strategy and law enforcement.
 17. Pre-schools, educational facilities and ABET.
 18. Disaster Management.
 19. Fire emergencies and rescue services.
 20. Traffic control and safety.
 - An emergency robot rehabilitation it project was started in June 2010 to address the entire defunct robot in town.
 21. SDF and Coffee-Bay/Hole in the wall development.
 22. Primary and environmental health care.
 23. Environmental management plan and land care
 24. Solid waste management.
 - The rehabilitation projects of the Mthatha and Mqanduli waste sites commenced in March 2010 and expected completion by end March 2011
 25. Asset Management strategy.
 26. Financial reform program
 27. Communication strategy.
 28. Special programmes.
 - The Presidential Intervention programme was initiated in September 2009, various meetings were held provincial and national departments on funding and implementation of the developments projects identified. A KSD Presidential Technical Task Team was established for in December 2009 for reporting, integration and coordination of the project between various spheres of government.
 29. Public safety and security.
 30. Licensing and vehicle testing.
 31. Transport forum formulation.
- .

M Tom
Municipal Manager

C. Overview of the Municipality

Vision

A prosperous, sustainable and people centred municipality

Mission

To provide sustainable livelihoods and balanced development through quality service delivery and viable economic development strategy in a manner that promotes meaningful public participation and sound governance.

Demographic information

The total population of municipality is 415 2341 comprising of 55% females and 45% males. Of them 410 889 are indigenous Africans, 556 Indians, 2 318 coloureds and 1471 Whites. It is 3019 km's covering 32 wards as has having centres, Mthatha and Mqanduli. It comprises of 105 000 households with an average of 4 – 7 people per household.

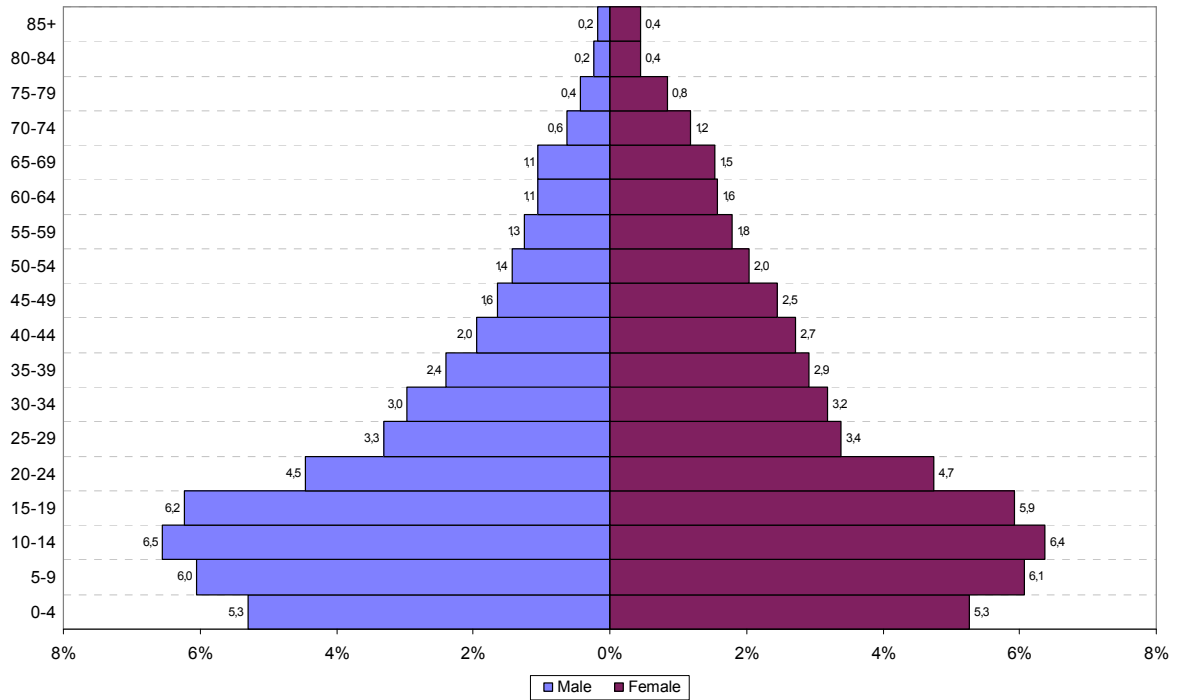
Community Survey 2007

Number of people in each local municipality in O.R Tambo District Municipality

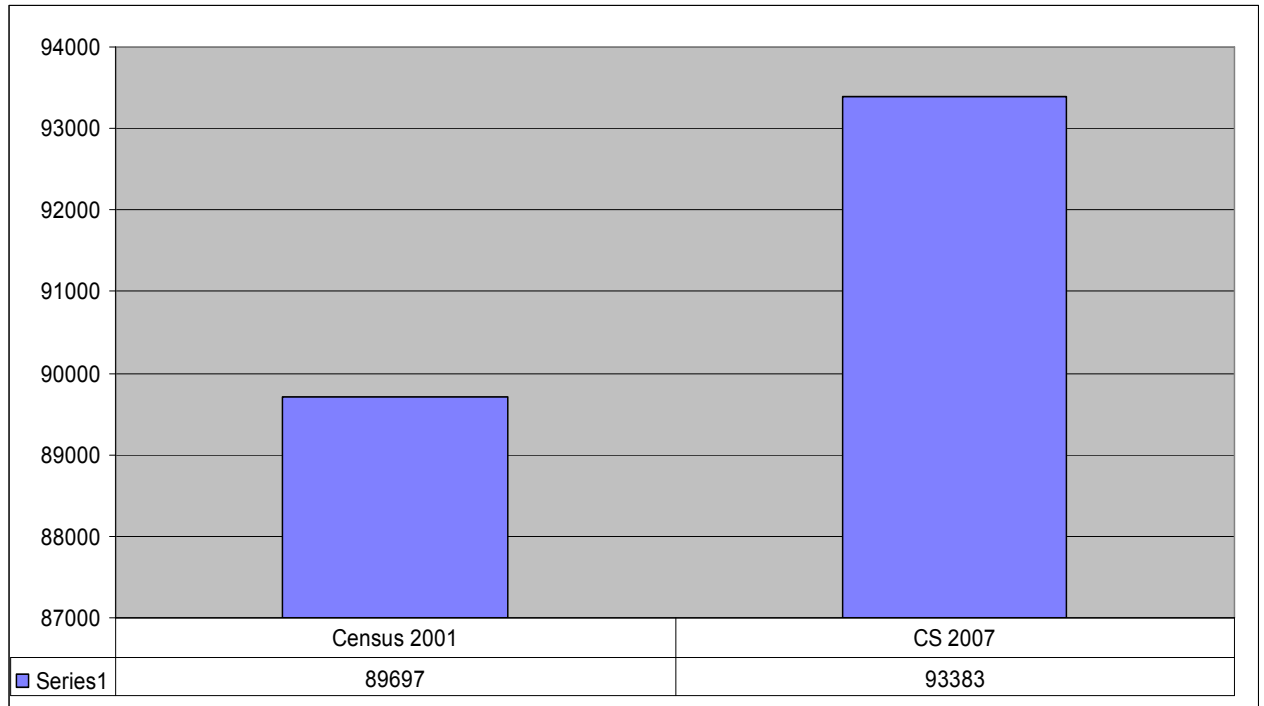
Municipalities	N	%	N	%
Mbizana	245730	14.6	279739	15.0
Ntabankulu	145799	8.6	149358	8.0
Port St Johns	146967	8.7	165084	8.8
Nyandeni	274416	16.3	314273	16.8
Mhlontlo	202851	12.0	237138	12.7
Ingquza Hill	254480	15.1	279795	15.0
KSD	416348	24.7	444830	23.8
Total	1686591	100	1870217	100.0

Community Survey 2007

Eastern Cape, Percentage distribution of population by five year- age group, and sex



Total number of Household KSD Municipality



Strategic Focus Areas

- Spatial Development Framework
- Economic Development
- Service Delivery
- Institutional Development & Transformation
- Financial Viability
- Good Governance

Long Term: The Master Plan

The community of King Sabata Dalindyebo has ideas about how their municipality should look like in the next five (5) to twenty (20) years. This picture which is depicted in their minds or dreams of their ideal municipality is known as a vision as contained in the Master Plan.

This would be followed by creating of plan/s which are aligned to the community's vision and further approving and monitoring a Council budget, for operations as well as projects, which provides funds to implement the strategies that are derived from the vision as one of Council's greatest responsibilities to turn the Municipality around for better service delivery and development.

The Council must develop policies which will give direction and the Executive formulate strategies that are translated into action plans (Service Delivery Budget and Implementation Plans) that describe how Council is going to achieve its vision. In their wits, when Councillors make policy, they set the broad framework within which the councillors and the administration will take decisions and act. Without funds to implement policies, the council will not be able to take action or serve communities well. Then the vision of KSD Municipality which is "a prosperous, sustainable and people centred municipality" will then only be an unfeasible dream.

In order to achieve the above-stated vision over this five (5) year period, the King Sabata Dalindyebo Municipality should make tough budgeting choices and decisions and priorities on spending and focus its spending based on the IDP and Master Plan.

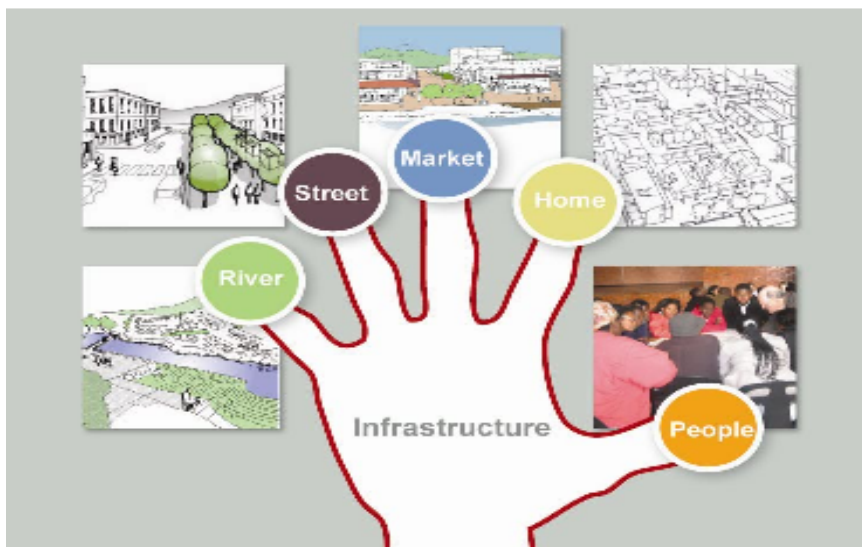
KSD Municipality formulated an integrated development plan which is used by the Municipality as her five (5) year strategic tool to map her development path in addressing the needs of the community within the municipal area and thus achieves the ideal of a better life for all as required by law.

A critical factor, which is having a negative impact and needing urgent intervention for developmental opportunities or initiatives and the economy of King Sabata Dalindyebo Municipality, is the plight of:

- a) Deteriorating infrastructure indicated by-
 - Collapsing road infrastructure
 - the many pot-holes and patches in town on asphalt roads and
 - On dirt roads corrugations that slow down speeds.
 - Electricity problems

- Power outages in the suburbs longer than a day
- Unreliable traffic lights on the main intersections
- Street lights that were not all in working condition
- Sewerage spills and unreliable water supply
 - Constant sewage spills into the river system
 - Sewage blockages in the main pipes , overflows into streets
 - Special water tanks in townships and informal settlements
 - Water shortages due to faulty mains
 - Water spills due to old burst pipes
- b) Challenges in Financial viability
- c) Challenges in Human resource development and Ethical Values
- d) Challenges in Polluted conditions in town
 - Waste removal processes
 - Uncontrolled littering
- e) Challenges in Economic Development and Poverty
- f) Challenges of HIV/AIDS
- g) Challenges of Crime

However, in attempting to overcome the above problem factors facing this Municipality, KSD Municipality developed a **Master Implementation Plan**. This 20-year Plan has been crafted around the theme of sustainability and integration and was then presented around the “5 systems of Sustainability” of River, Street, Market, Home and People reflected through the symbol of a hand and the palm representing the infrastructure binding the systems.



This 20 year plan aims to address the following key specific focus areas on a five year period underpinning the river, street, and home and market system.

- Spatial Development Framework
- Economic Development
- Service Delivery /Infrastructural development
- Institutional Development & Transformation
- Financial Viability
- Good Governance & Public Participation

Having identified the above focus areas in the IDP, departments prepared a set of objectives and strategies to achieve the long-term vision identified in the Master Plan.

D. Executive Summary

KSD is one of the seven local municipalities located within the OR Tambo District Municipality in the Eastern Cape Province. It comprises four amalgamated entities comprised of both Mthatha and Mqanduli urban and rural magisterial areas and measures approximately 3019km². There are roughly 94 177 households within KSD, the majority of whom are in rural areas. This number has grown by 19% at an annual average of 1.5% since 1995.

KSD is the home of many political icons such as former President, Nelson Rolihlahla Mandela, and King Sabata Dalindyebo and is also renowned for its political history and its potential in agricultural, tourism and forestry development activities. The city of Mthatha is an important regional service centre and tourism gateway whilst Mqanduli is a subsidiary node, with other abutting nodes and areas along the coast (Coffee-Bay and Hole-in-the-Wall), the N2 and the mountain region to the north.

KSD largely rural nature places an enormous burden on limited resources and the City of Mthatha has enormous Infrastructure challenges. However, the stakeholders have recognised this and the N2/Nelson Mandela Drive project that commenced during the year and was completed subsequently epitomises KSD's sound relationship with National Agencies.

The municipality also "felt it" during the 2010 FIFA World Cup. The Soccer Stadium was completed through dedication and good old fashioned hard work.

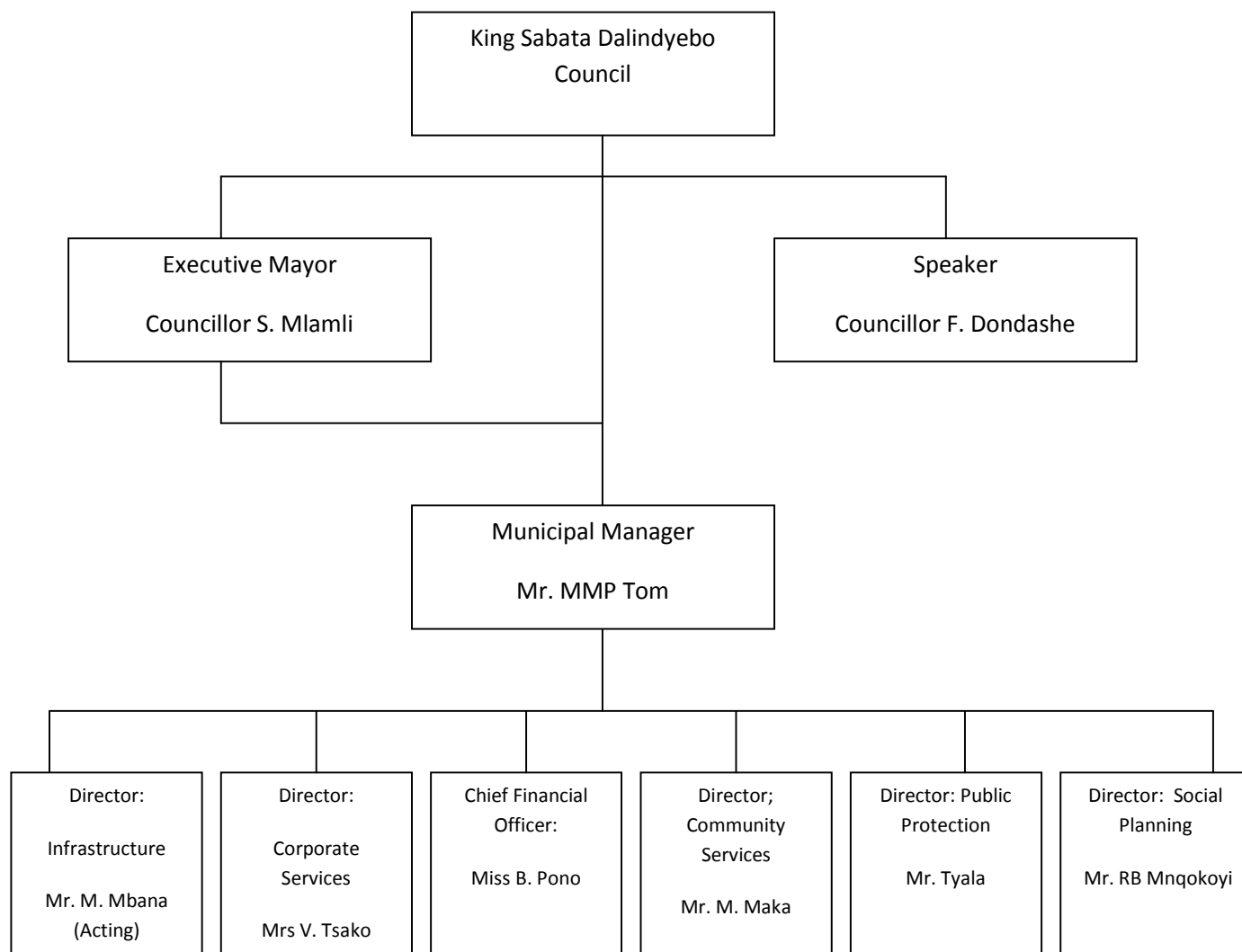
Financial Management continues to be a challenge. Hard work will be done in order to reverse the audit outcomes in the coming New Year. In this regard we regard the AG as an important partner and therefore, endeavour to improve communication and working relationships. KSD also recruited two mature individuals in General Management positions, subsequent to the year end. The effects of their expertise and experience are expected to be harnessed in the New Year.

The municipality is concerned about its Human Resource capability. The concern is that nearly a third of the work force does not have Matric Certificates. This does impact on Service Delivery and more importantly on personal development. The Municipality does recognise that Managers need to be appointed and ultimately impact positively on service delivery and accountability. A number of Section 57 managers were appointed during the year under review.

Part 2: KPA Achievement Reports

Chapter 1: Organisational Transformation and Institutional Development (KPA 1)

1.1 Presentation of the organizational structure



Department	Approved posts	Vacant posts	Vacancy Rate
Health and Environment	640	331	52%
Corporate Services	166	23	13.8%
Budget and Treasury	188	112	59%
Technical Services	477	149	31%
Municipal Manager's office	125	77	62%
Community Safety	787	396	50%
Social and Economic development	191	128	67%
Human Settlement	165	73	44.2%

Municipal managers and S57 Manager's employment contracts and performance agreements

Position	Employment Contract	Performance agreement	Submitted to the department Y/N
Municipal Manager	√	√	Y
Director: Infrastructure	√	√	Y
Chief Financial officer	√	√	Y
Social and Economic Development	√	√	Y
Corporate Services	√	√	Y
Community Safety	√	√	Y
Health and Environment	√	√	Y

1.2 Staff development initiatives during the financial year

TYPE OF TRAINING	CATEGORY	NUMBER ATTENDED
AARTO training	Officials	09
Integrated Development Planning	Officials	03
	Councillors	17
Councillor Development and Capacity Building	Councillors	27
Municipal Performance Audit Training	Official	02
Government Media Course	Officials	01
Building Science & Woodwork	Official	11
Expenditure Revenue Management	Officials	1
Programme for Excellence: Thinking and Managing Strategically	Officials	1
Institute for Municipal Public Safety of SA National Conference	Officials	08
Supply Chain Management Workshop	Officials	21
Construction Contract Law	Officials	01
International Road Traffic Safety Management Conference	Officials	03
Executive Leadership Municipal Development Programme	Councillors	01
Basic Ambulance Assistance Course	Officials	04
Building Science & woodwork Phase 2	Officials	12
Executive Leadership Municipal Development Programme	Officials	1
Advance Law of Evidence	Officials	03
Basic Ambulance Assistance Course	Officials	07

Basic Plumbing Training	Officials	15
Re-inventing the Organisational Development Forum	Officials	02
Job Evaluation Workshop	Councillor	01
Records Management Course	Officials	02
Transformer Operation & Maintenance	Officials	02
Africa Fraud and Corruption Prevention Conference	Officials	02
Organisation Structure Design	Officials	01
Basic Ambulance Assistant Course	Officials	03
ILGM Conference	Officials	01
Effective of municipal debt collection	Officials	2
Councillor Development and Capacity Building workshop	Officials	25
Disciplinary Enquiry Workshop	Officials	17
EMP10 Practical Workshop	Officials	01
Local Economic Development Workshop	Officials	04
	Councillors	10
Recruitment and Selection Course	Officials	02
Personal Assistants Advancement Programme	Officials	12
Manage LIC Projects Training	Officials	02
iLGM Women's Conference	Officials	01
Optimising Accounts Payable	Officials	02
Executive Leadership Municipal Development Programme	Councillors	01
Minute Taking and Report Writing Workshop	Officials	15
Mid-Year Labour Update	Officials	03

Examiner for Drivers Licence	Officials	02
Advanced Performance Training	Officials	01
Organogram Review Workshop	Councillor	35
	Officials	06
Practical Labour Law Programme	Officials	02
Fleet and Transport Management	Officials	03
Experiential training	Students	18
Accredited Qualifications	Officials	09
Internship Programme	Young professional	08

The Executive summary of the organisational management structure is reflected in 1.1 above.

1.3 Key HR statistics per functional area

1.3.1 MM/ Section 57

	Approved positions	Number of approved and budgeted posts per person	Filled posts as at end June 2010	Vacant posts as at end June 2010
1	Municipal Manager	1	1	0
2	Director: Social and Economic Development	1	1	0
3	Director: Corporate Services	1	0	1
4	Director: Health and Environment	1	1	0
5	Director: Community Safety	1	1	0
6	Chief Financial Officer	1	1	0
7	Director: Technical Services	1	1	0
8	Director: Human Settlements	1	0	1
9	General Manager: Internal Audit	1	0	1
10	General Manager: Speaker's Office	1	0	1
11	General Manager: Mqanduli Unit	1	1	0
12	General Manager: Civil Engineering	1	1	0
13	General Manager: Electrical Engineering	1	0	1
14	General Manager: Local Economic Development	1	0	1
15	General Manager: Integrated Community Development	1	0	1

16	General Manager: Health Services	1	0	1
17	General Manager: Solid Waste	1	1	0
18	General Manager: Revenue and Accounting	1	1	0
19	General Manager: Supply Chain Manager	1	1	0
20	General Manager: Corporate Services	1	1	0
21	General Manager: Organisational Support	1	0	1
22	General Manager: Development Planning	1	1	0
23	General Manager: Housing and Physical Environment	1	1	0

1.3.2 Functional areas per organogram as at end June 2010

	Approved positions – Executive managers/ ass managers	Number of approved posts per position	Filled posts	Vacant posts
1	Technical Services	477	328	149
2	Civil Engineering	217	100	117
3	Electrical Services	137	74	63
4	Human Settlement	165	92	73
5	Development Planning	35	16	19
6	Housing and Physical Environment	130	76	54
6	Budget and Treasury	188	76	112
8	Revenue and Accounting	276	58	218
9	Supply Chain Management	70	26	44

10	Health and Environment	640	309	331
11	Health Services	240	99	141
12	Solid Waste	400	210	190
13	Municipal Manager' Office	125	48	77
14	Speaker's Office	51	24	27
15	Management Support	39	15	24
16	Executive Mayor's Office	35	09	26
15	Social and Economic Development	191	63	128
16	Integrated Community Development	149	51	98
17	Local Economic Development	42	12	30
18	Corporate Services	166	99	23
19	Organisational Support	112	62	50
20	Human Resources	54	37	17
21	Community Safety	787	391	396
22	Chief Traffic Officer	665	316	349
23	Chief Fire and Emergency Services	122	80	42
Total	20			

1.3.2 Technical staff registered with professional bodies as at end June 2010

Technical services	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Electrical Services	02	02	None	none
Human Settlements	04	02	None	None
Civil Engineering	02	02	None	None
Works	01	01	None	None

1.3.4 Levels of education and skills

Total number of staff	Number of staff without grade 12	Number of staff with senior certificate only	Number of staff with tertiary/ accredited professional training
1125	485	473	167

1.3.5 Trends on total expenditure

Financial years	Total number of staff	Total approved operating budget R'000	Actual expenditure R'000	Personnel expenditure R'000	% of personnel expenditure
2006-2007	1185	R277 727	R275 409	R149 152	54%
2007-2008	1122	R297 147	R330 843	R153 566	52%
2008-2009	1125	R365 042	R359 811	R165 677	45%

1.3.6 List of pension and medical aids to which employees belong

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Joint pension fund	07	Key Health	5
		Bonitas	47
National fund for municipal workers	307	Hosmed	463
SA Municipal Workers Union pension fund	438	Samwumed	114
SALA Pension fund	0		

Senior officials' wages and benefits as at end June 2010 are included in the notes to the Annual Financial Statements

1.4 Implementation of the Performance Management System (PMS):

Arrangements are being made for the cascading of the Performance Management System to the next level of managers.

1.5 Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	284	139	49%	Budget constraints
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	07	07	100%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	04	02	50%	
4	Percentage of Managers in Technical Services with a professional qualification				
5	Percentage of municipalities that have adopted the Performance Management System within the district area (DM only)				
6	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	1125	1086	96%	
7	Percentage of councillors who attended a skill development training within the current 5 year term	64	64	100%	
8	Percentage of staff complement with disability	02	02	100%	
9	Percentage of female employees				
10	Percentage of employees that are aged 35 or younger				

Chapter 2: Basic Service delivery performance highlights (KPA 2)

2.1 Water services

The operational service to deliver water is an OR Tambo DM responsibility. The ORTDM has allocated R51m for KSDM (KSD Municipality is negotiating with ORTDM with the aim of requesting ORTDM to release water to KSDM). There is a report which was prepared by DWAF in relation to the water quality and ORTDM needs to submit a report to the KSD Council in that regard. There are discussions with ORTDM to strengthen the IGR between the municipalities regarding the provision of this service.

However, with the handover of the services to ORT DM, the monitoring function moved to ORTDM as well.

2.2 Electricity services

The municipality is still relying on the Energy Master plan (Ballenden & Rob) which was developed in 1998 and refined by Taylor and Associates in 2001. The Plan has been overtaken with a series of activities relating to electricity connection from Eskom. Therefore, there is a need to update and align the Energy Master plan with the KSD Master Plan strategy growth plan as well as the Eskom supplies strategy.

Currently, KSDM and Eskom have reduced the backlog of connections by connecting 900 households in Mqanduli and installing a substation in Wilo.

The KSDM has developed an indigent policy which considers an alternative on renewable energy. There is also a MoU between St Lucia and KSDM to attend to renewable or alternative energy option. Moreover, KSDM has a contract with EDI Holdings to deal with future implementation of RED programme.

However, KSDM experiences resource capacity both financially and human. The human resources will be considered in the organizational and re-structuring underway. KSDM has already made an attempt to approach funders to assist in electricity distribution.

2.3 Sanitation

The operational sanitation service is provided by OR Tambo DM. The ORTDM have allocated R94m for the delivery of the service to KSDM.

The service provider ORTDM has a plan to address bulk infrastructure development with waste water treatment included. The KSD Master-plan brings new requirements to the fore and this requires that the plan by ORTDM needs to be aligned with development that will take place in KSD

2. 4 Road maintenance

The roads and transport conditions are in a bad state because, only light repairs are being done trying to erase the backlogs or projects are implemented in an abrupt fashion to restrict and/or respond to calamity and as a result are not sustainable since the roads require major rehabilitation in the urban areas. KSD integrated pavement management plan was compiled by Sector Consulting Engineer, OR Tambo District Municipality have employed Khuthele Projects to compile an integrated transport plan, both aligned to the Master plan.

The KSDM is currently upgrading Mamela taxi rank and Jubilee Square rank development.

The rural access roads projects and social amenities are listed below as per a three year investment plan:

REVISED THREE YEAR CAPITAL IMPLEMENTATION PLAN AND PREVIOUS FINANCIAL YEAR DATE PREPARED: 26 AUGUST 2008 STATUS
QUO OF PROJECT REGISTRATION

PROJECT NAME	WARD NO	EXTENT OF WORKS	PROJECT VALUE	STATUS
Project Management Unit	-	-	R 1 749 563.80	Registered
Construction of Engcwanguba community hall	24	1unit	R 4 170 664.98	Constructed Complete
Construction of Blekana access road	27	4km	R 2 450 830.00	Constructed Complete
Construction of road from Empa to Madonisi	19	6,8km	R 3 602 000.00	Constructed Complete
Tarring of Waterfall access roads	2	2.5km	R 8 410 350.00	<u>Under Construction</u>
Construction of road from 14SAI soldiers group to Dlomo	14	6.2km	R 2 543 762.10	Constructed Complete
Access road and bridge from Mampingeni to Manuneni	15	10km	R 4 700 000.00	<u>Construction Complete</u>
Construction of Habe bus stop to Mampondweni location	29	7.5km	R 3 442 737.30	Constructed Complete
Construction of access road - bridge from Mvunge to Sangoni	30	5.2km	R 2 439 600.00	Constructed Complete
Gengqe Access Road	21	6.3km	R 3 819 000.00	Constructed Complete
Makhumsheni Access Road	27	4.2km	R 2 622 000.00	Constructed Complete
Mpeko access road	31	10km	R 3 735 090.00	Constructed Complete

TOTAL VALUE OF PROJECTS	R 31 359 904.48	
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PROJECT NAME	WARD NO	EXTENT OF WORKS	PROJECT VALUE	STATUS
Project Management Unit	-	-	R 1 367 150.00	Not registered
Access road from Darabe to Gasa JSS	28	5.1km	R 3 218 220.00	Constructed Complete
Nqadu West tarred road	9	2km	R 7 937 370.08	Constructed Complete
Construction of Tyalarha via Krakra to Nontlutha Access Road	20	17.5km	R 8 863 372.09	Constructed Complete
Construction of access road from Kambi to Matiyane	12	6km	R 2 430 165.00	Constructed Complete
Road from Kwenxura to Kroza	20	16km	R 4 147 606.20	Under Costruction
Construction of road to Makhawula school, tribal authority & location	16	1.0km	R 548 807.40	Constructed Complete
Construction of Qokolweni to Jongilanga access road	26	14.5km	R 3 287 467.00	Registered
Luthuthu JSS to T280 access road	31/32	7.2km	R 4 005 905.22	Registered
Renovation and tarring of road from Vialiti via Nkanini to Ntlekiseni graveyard road	5	2.3km	R 5 660 100.00	<u>On Design Stage</u>
Construction of Maqomeni to Mahlungulu access road	22	8.2km	R 7 212 700.00	<u>Complete</u>
Gravelling of Ncambedlana road	10	3km	R 1 098 247.50	Registered
Construction of access road to Lutshini	23	8.1km	R 6 055 000.00	Under Construction
Construction of streets at Sheshegu and Phelandaba	13	4.8km	R 2 974 736.00	<u>Construction Complete</u>
Construction of Siqikini access road	26	7.6km	R 4 256 680.50	Registered
Access road from Gwegwe via Qolweni to Xhwili shop	32	13.5km	R 8 447 196.04	Constructed Complete

TOTAL VALUE OF PROJECTS	R 71 510 723.03	
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2.5 Waste management

An Integrated Waste Management Plan was compiled in 2007 by Arcus Gibbs in an attempt to improve waste management services in KSD. The plan covers waste streams, Estimates of waste generated and population size including requirement for waste removal operations and landfill site management. As part of implementing Waste Management Plan 7 compact trucks were hired to support the Municipal refuse removal fleet which is in a deteriorating state. In an attempt to support Local Economic Development Initiatives, 4 open trucks owned by community members were hired on monthly bases for waste collection in the CBD. 324 community members contracted through DEAT to Support Cleaning and Greening. Plans are in place to review the Waste Management Plan and align it with the Master Plan.

The Department of Environmental Affairs and Tourism together with DWAF has condemned the use of unpermitted Landfill site and the municipality is in the process of closing the current site pending availability of land for the new site. The landfill site that is operational in Mqanduli is a permitted site but requires upgrading.

Funding of about R27 million has been secured by the Municipality from DEAT for Construction of new Landfill site in Mthatha and Upgrading of Landfill Site in Mqanduli. Feasibility study has been conducted on 7 sites to identify suitable site for establishment of the new Landfill Site. Out of the 7 sites 3 sites were regarded as possible sites for the Landfill and Geo –Tech studies and Hydrological studies were conducted. Based on the results of the studies the suitable site was identified as Orange Groove which is adjacent to and in the same ward with the current site which is currently at a bad state.

The Environmental Impact Assessment Studies and the progress on the establishment of the new site is on hold following refusal by the community affected to release the land citing health hazards posed to them by the existing site. Infrastructure and Community Services directorate of the municipality are in negotiations with the chiefs for the purchasing of land and also considering negotiating with adjacent municipality. The plan makes also provision to close and rehabilitate the existing sites in Mthatha and Mqanduli.

The EIA forms part of the IWMP and Ikamva Consulting is contracted to do EIA once the new site is chosen as part of the bigger waste management project.

Environmentally friendly practices and economic opportunities will be included in the design of the new site in line with the Master Plan Projects.

2.6 Housing and town planning

A Housing Sector Plan was adopted by the Council in 2006 as an element of the Integrated Development Plan (IDP). This plan acknowledged the housing backlogs but needs to be aligned with the more recently adopted (2010) Sustainable Development Plan (SDP-also known as the Master Plan or 20 year vision). The SDP has been integrated into the IDP which gives the latter document a housing strategy which is in alignment with the Government's Breaking New Ground (BNG) policy.

(a) Housing and Town Planning Services Delivery

This Municipality, as a nominated developer of subsidy housing by the Provincial Department of Human Settlements (PDOHS) obtains funding through the PDOHS in terms of contracts in respect of identified projects.

In 2006 a Memorandum of Understanding (MOU) was signed between the Provincial Department of Housing (now Provincial Department of Human Settlements - PDOHS) and KSD Municipality for the delivery of 17450 subsidy houses over a 7 year period. This MOU encapsulates the principles of integrated and sustainable housing delivery as contained in the BNG policy framework.

As a consequence of the MOU and BNG Policy (and a lack of capacity within the Municipality) a new strategy has been embarked upon involving the private sector in a role as an implementing agent. This principle is expected to speed up the delivery of housing at both subsidy and economic levels.

Town Planning Services in terms of current legislation (Ordinance No. 33 of 1934), require approvals from the MEC for Provincial Local Government and Traditional Affairs, i.e. Town Planning Schemes, rezoning and townships/subdivisions after endorsement by the Council.

Town Planning Services will embrace the principles of the newly adopted SDP with the review of existing Town Planning Schemes (Land Use Management Plans) so as to institutionalize the former.

(b) Levels and Standards in Housing and Town Planning Services.

The BNG acknowledges that there are demands for different housing typologies for different income categories but promotes integration thereof to create sustainable Human Settlements. This integration creates a platform for sharing of facilities and upliftment of standards of living for those income groups qualifying for subsidies.

The SDP principles have created opportunities for mixed use zones and integrated planning as well as more effective use of land (i.e. higher densities). This will have a market effect on commuter patterns and increase Local Economic Development opportunities.

(c) Major Challenges in Housing and Town Planning and Remedial Actions

Challenges in housing delivery can be summarized thus:-

- Land availability (i.e. ownership)
- Land claims
- Speed of delivery (cash flows, VAT returns, capacity)

Remedial Actions in terms of the above include:-

- Concerted dialogue with and application to the Government in collaboration with the Housing Development Agency (HDA)
- Interaction with the Land Claims Commission (legal and otherwise) for release of land for development
- Public/Private Partnership in the form of commissioning of an Implementing Agent to assist in housing delivery.

2.7 Spatial Planning

(a) Spatial Development Plan (SDP)

An SDP was prepared for the Municipal Area in 2007. The plan identified 13 growth nodes which require/d further detailed planning. Of those nodes further planning for Mthatha, Mqanduli, Coffee Bay, Hole-In-The-Wall, Mvezo and Langeni has been carried out. Apart from Mthatha and Mqanduli, which are already being implemented, planning for the other nodes is in an advanced stage (detailed layout planning is being done at Mvezo and Langeni). Langeni is being planned in conjunction with Mhlontlo Municipality.

(b) Land Use Management

The increase in number of applications in Rezoning and Special Consents is indicative of the need to review the current Town Planning Schemes (Mthatha and Mqanduli). Funds have been obtained through Local Government but have proved to be insufficient. New business plans have been submitted to increase funding to do these reviews.

Applications for the following categories that have been processed during the year are:-

- Rezoning (8 applications)
- Special Consents (31 applications)
- Subdivisions (4 applications)
- Township applications (nil)
- Removal of Restrictions (nil)

(c) Challenges in Spatial Planning and Remedial Actions

- Capacity Constraints (turnover of staff/lack of continuity)
- Communication Constraints (Comments for Reports dissemination of resolutions)

The creation of a Human Settlements Directorate which gives the functions being performed more autonomy and recognition will assist in the retention of staff.

The promotion of electronic systems for communication will improve current delays in processing of applications.

Chapter 3: Municipal LED framework implementation (KPA 3)

3.1 Brief presentation of LED strategy/plan

The Local Economic Development (LED) Strategy has been comprehensively developed comprising eight pillars namely; (a) Tourism, Sports, Arts & Culture (b) Agro Timber Processing (c) Productive utilisation of land and sound planning (d) improved logistics and infrastructure development (e) Town regeneration and sustainable villages (f) relevant and developed skills base (g) governance and institutional capacity (h) SMME and Co operative development and support.

Its fundamental building block is industrial cluster development and support.

The unit comprises of three staff members: the director and two LED officials. There is considerable experience and expertise in this team. The strategy will be reviewed shortly because it does not have an implementation plan; it is not aligned to the long term 2030 Vision and is not taking advantage of the Supply Chain Management policy.

Apart from informal relationship with NAFCOC, African Hawkers Association and other formations the LED forum is still to be established.

A number of institutions have supported the department financially for example the National Departments of Environment and Tourism, Department of Culture, the Provincial Department of Environment and Economic Affairs as well as the European Union, National Heritage Council etc.

3.2 Progress towards achieving the LED key objectives;

KSD MONTH: HONOURING THE LEGENDS

MTHATHA STADIUM – FEEL IT!! IT IS HERE!!

SECTOR	FUNDING SOURCE	PROJECT	WARD	ACHIEVEMENT/HIGHLIGHT	PROJECT VALUE	STATUS
Agriculture	DLG & T	Mqanduli Milling plant	29	<ul style="list-style-type: none"> • Current roller plan has capacity of 1.5 tons per home and has not been operated since installation. • A new 500 ton storage silo completed in March 2010-10-10. • Refurbishment of the facility has commenced • Operating and management options are being studied. • Lack of management skill, competence and technical experience is the key challenge 	R757 000	Preparation for operationalisation
Tourism	DEAT	Manqondo visitor information Centre	29	With the assistance of DEAT the municipality is constructing a state-of-art visitor information centre to stimulate tourism in the Viedgesville-Coffee Bay- Hole-in-the wall tourism corridor. It is targeted for completion by march 2011. Work is going according to schedule.	R4.7 m	Near completion
	DEAT	Wonkumntu craft Centre	14	The Craft Centre is being resurrected to provide a marketing channel for the craft products in KSD and surrounding farms. It will form a local point for the craft route in Umtata area... also the whole KSD	R5m	Still under construction
	DEAT	Lushaba	13	A recreational centre along the	R19.5 m	Still under

		Game reserve		Umtata dam and nature reserve is to be built. A business plan and designs have been completed. Facility would include water based sports equipment, 50 seater conference centre and a lodge.		construction
	TINA SINAKO	Nduli Conference Centre	6	A feasibility study to establish a sizeable conference facility in KSD or OR Tambo Region is underway set for completion by October 2010. This is a much needed facility to position Umtata as one of Conferencing/ event hosting cities in South Africa.	R1.2 m	Near completion
	DEAT	Mvezo Cultural Centre	20	This creates a sought after tourism product to partly complete the Nelson Mandela Museum tourism route. It diversifies the tourism product offerings to augment heritage tourism by including arts and crafts.	R15m	Still under construction
	NHC (National Heritage Council)	KSD Month	20	The festival comprised a number of important events, namely King Sabata Dalindyebo/Boutros Gali (former UN secretary-general) memorial commemorated these stalwarts. It was a high profile event that included local, provincial and national dignitaries. The main theme of the festival that was celebrated through month was the philosophy of ubuntu. Secondly during this month. Miss KSD pageant, performing art activities and craft	R8m	Event successfully held

				displays were initiated and will be hosted annually.		
	DEDEA	Tourism Master Plan	7	A tourism master plan is being developed to guide tourism product development, tourism marketing, and community participation and visitor information.	R400 000	Draft produced
SMME Development	DEDEA	Sakingomso spinning and weaving enterprise	11	This project includes washing; spinning and weaving of local wool to create a variety of products (see pictures). It employs 1 permanent worker and 43 trainees at old EFATA factories.	R150 000	Started production
	DEDEA	Light the pilot film production	4	This is a cultural industry sector enterprise that will be engaged in developing documentary and drama. Funding has been mobilised, experienced personal 1 Presently they are busy with the shooting a documentary. There are 8 permanent workers /beneficiaries employed and 70 seasonal workers. The centre will also be funded in 2010/11.	R1m	Has produced first documentary
	DEDEA	Kuphukani leather cluster	9	This enterprise is focused on repairs and maintenance of equipment and shoes for the disabled people. It will be run by disabled people at Sibabalwe Centre. A business plan was developed and funding has been mobilised.	R1.74m	Procurement of equipment has commenced
Social	Internal	Local Aids	7	This important structure was		Benchmarked

Development	CMRA	council		developed and is now functioning well and assists to co-ordinate and integrate both public and private sector programmes and initiatives to fight HIV/AIDS		with the SALGA National Programme
	Internal	Policy Development	7	<p>One of the key success factors in driving programme implementation is the existence of guiding policies and strategies. Without these documents implementation is on an ad-hoc basis and not structured. There can be no performance measurement and improvement. During this financial year the following strategies have been crafted with relevant stake holders:</p> <ul style="list-style-type: none"> • HIV/Aids strategy reviewed • Youth development strategy developed • Strategy for the people with disabilities developed. <p>Efforts to develop a gender empowerment strategy are in progress.</p>	R150 000	Strategies developed and some are being implemented
Tourism Cultural Precinct	ASGISA		7	<p>A Conceptual plan has been developed. The concept proposes a ribbon of sites for the cultural precinct which includes (a) Walter Sisulu (university town) (b) Nduli game reserve which includes :</p> <ul style="list-style-type: none"> • 100 car parking area, ecological parks, cultural product retail to house boutiques and retirement. 	R1.2m	Feasibility still in progress

				<ul style="list-style-type: none"> • Multi-media centre auditorium and galleries • Conference facility (c)Amphitheatre (d) Civic node		
Infrastructure	DSRAC	Stadium Development and base camp	4	Stadium that meets the FIFA requirements has been built. It has a seating capacity of 3500. Employment attained : <ol style="list-style-type: none"> 1. Unskilled Local labour - : 120 for the first six months and 65 for the last stage 2. Subcontractors were engaged from local enterprises 3. Local procurement was also done through local suppliers 4. Efforts, though belatedly, were made to attract teams for the base camp. Interested teams were France, Serbia and Algeria (They came for site inspection and exploration of tourism attraction0 	R220m	Completed
Nursery Development	DEDEA		4	An expansion of existing nursery that produces 250 000seedlings. To produce 3million seedlings, indigenous and exotic trees as well as composed has been initiated. A Business plan has been developed. Initial funding has been attracted. Building construction with commerce in 2010/11	R1m	Funding mobilised

SMME	Internal	Ward based poverty alleviation projects	All Wards	Numerous ward-based micro-enterprises have been funded. Their success rate is mixed. The identification process is also not structured as a result some do not reflect the distress nature at the ward level.	R3.2m	Under implementation
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CONSTRUCTION OF QUNU INTEGRATED ENERGY CENTRE KSD MONTH: NONZAME TRADITIONAL GROUP FROM PAYNE

- **Creation of market and public confidence:**

The special development framework, a broad based plan mainly principles, identifies 13 growth points. This will require detailed planning of each node when actual development is planned.

- I. Furthermore the sustainable development plan of (Vision 2030) introduced integrated development which promotes mixed zones where employment, residential and social facilities and developments stand together. This will reduce unnecessary and expensive commuting costs and traffic jams in the central business district.
- II. It takes approximately seven days from the time the applicant submits the application form for the issue of a licence. Applications are reviewed annually.
- III. Furthermore trading bylaws that are in place and adopted by Council but not yet published are: street trading, liquor trading and advertising signs. As soon as the bylaws are published, they will be vigorously published.
- IV. The quality of road infrastructure both provincial district, and local roads in rural and urban areas leave much to be desired. It is pleasing to find that the Kei local Fresh Produce has started to implement its turnaround strategy. There is a fully fledged disaster management unit in the municipality which currently handles its task efficiently.
- V. Formal partnerships that have been concluded are with the Department of Economic and environmental affairs, European Union and Provincial Treasures.

- **Enterprise development:**

Some of the small enterprises assisted in 2009 include:

BUSINESS NAME	DESCRIPTION	NO OF JOBS	PROJECT VALUE
Light the pilot	A Film producing venture	13 employees 102 temporary actors	R1 m
Kupugani Cluster	A paraplegic equipment repair and shoe – repairing enterprise run by the disabled people. It is still at start up stage	Crew Members 10 employees	R1.74 m
Sakhingomso Crafts Enterprise	A wool spinning and weaving venture in Efata	30	R150 000

Piggery and Broiler venture	More than 10 micro ventures of piggery and broilers	There is high failure rate ± 4 projects per ward (at 5 people working on average)	R3.2 m
Uphuhliso Nursery	Seedlings Nursery		R1 m

- **Social investment program:**

Support to the second economy

The main focus of the LED Units functions in this regard was co operative sector development which included training and development of the co operatives, the set-up support of the association.

The second important milestone has been the commencement of the construction of the community energy centre at Qunu which also will be owned and operated by a local co operative.

Lastly the municipality supports the formation of a financial services co operative to be run by the Hawkers association. It is at feasibility stage.

3.3 Challenges regarding LED strategy implementation

Challenges encountered consist of the following:

- Currently the vacancy rate of the LED Unit is at 50% but the new organogram will rectify this when it is populated
- Internal funding is simply too thin even to make own contraction required by many sponsors of economic development initiatives
- Lack of skills of targeted beneficiaries in particular rural communities. A vigorous skills development programme funded mainly by SETA is the key success factor in this development pillar
- Secondly, skill and experience of the employees need improvement. Training, mentoring and coaching programme for each business unit has to organise as soon as possible.

- To enhance improvement and sources of the micro-enterprise sector requires intensive coaching and hands-holding. Therefore, high vacancy rate and poor skills militate against peak performance improvement of the micro-sector.
- Poor co ordination of partnerships and collaboration in delivering support and business development services with other public service economic enablers

Chapter 4: Audited Statements and Other Financial Information –KPA 4

4.1 The audited financial statements

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

Executive Mayor

Cllr S Mlamli

Speaker

Cllr FV Dondashe

Members of the Executive Committee

Cllr LN Ntlonze (Special Programmes Unit)

Cllr KK Mdikane (PS&ED)

Cllr Mangxaba Holomisa (Chief Whip)

Cllr BT Mashiyi (Technical Services)

Cllr SS Dawuwa (Budget and Treasury)

Cllr N Ngqongwa (Human Settlements)

Cllr NS Njemla (Community Services)

Cllr M Stoyile (Public Safety)

Cllr MA Mayekiso (Corporate Services)

Members

Cllr H Bungqu

Cllr V Dangala

Cllr NR Gcingca

Cllr ON Godololo

Cllr MB Gqithiyeza

Cllr ZM Gusana

Cllr PJ Gwadiso

Cllr DB Gwazela

Cllr AVM Kraai

Cllr KN Kwetana

Cllr PN Liwani

Cllr AN Lumkwana

Cllr GN Madubedube

Cllr LR Madyibi

Cllr N Madyibi

Cllr P Mangesi

Cllr PN Mantanga

Cllr M Mapelana

Cllr ET Mapekula

Cllr M Mavukwana

Cllr BM Mbutuma

Cllr N Mda

Cllr M Mkhoteli

Cllr M Mpahlwa

Cllr M Mbutye

Cllr GM Mkupa

Cllr Mlandu

Cllr ZN Mncunza

Cllr VC Momoza

Cllr MH Mtirara

Cllr FM Mtwana

Cllr N Mtwana

Cllr WN Mvunge

Cllr NF Mzimane

Cllr GN Ndila

Cllr NA Ndlela

Cllr B Ndlobongela

Cllr MM Ngabayana

Cllr RF Ngqele

Cllr N Ngqongwa

Cllr FRS Ngcobo

Cllr SS Njemla

Cllr NL Nkosiyane

Cllr HMM Ntshobane

Cllr S Nyengane

Cllr B Pierce

Cllr SS Qina

Cllr E Sangovana

Cllr ZL Siziba

Cllr NA Sobahle

Cllr NF Soldati

Cllr KW Tsipa

Cllr Tshota

Cllr V Vayeke

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information (continued)

Registered Office:	Mthatha
Physical address:	Munitata Building Surtherland Street Mthatha
Postal address:	Private Bag X 5083 Mthatha 5099
Telephone number:	(047) 501 4000
Fax number:	(047) 531 2085
E-mail address:	ksd@ksd.org.za
Grading of Local Authority	Grade 4
Auditors	Auditor General South Africa
Bankers	ABSA (Previously Meeg Bank) First National Bank

King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

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King Sabata Dalindyebo Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 51 to 101, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

31 August 2010

King Sabata Dalindyebo Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets		414 308 593	341 585 361
Cash and cash equivalents	1	22 259 965	30 761 346
Trade and other receivables from exchange transactions	2	165 154 233	162 414 666
Other receivables from non-exchange transactions	3	8 971 529	6 217 419
Inventories	4;10	31 256 841	28 063 120
Call Investment Deposits	5	151 314 489	93 497 533
VAT receivable	13	35 351 536	20 631 276
Non-current assets held for sale	10	-	-
Non-current assets		671 119 176	541 050 134
Non-current receivables	6	160 181	198 640
Property, plant and equipment	7;10	638 607 106	509 055 893
Intangible assets	8	568 875	12 588
Investment property carried at fair value	9	31 783 013	31 783 013
Total assets		1 085 427 769	882 635 494
LIABILITIES			
Current liabilities		164 318 296	174 473 411
Trade and other payables from exchange transactions	11	42 356 979	83 802 241
Consumer deposits	12	947 933	678 396
Unspent conditional grants and receipts	14	106 031 871	75 555 310
Current portion of borrowings	15	4 733 554	4 176 276
Current portion of finance lease liability	16	81 727	94 956
Non-current liabilities held for sale	10	10 166 232	10 166 232
Non-current liabilities		51 425 941	56 439 689
Non-current borrowings	15	51 077 815	56 009 836
Non-current finance lease liability	16	348 127	429 853
Non-current liabilities held for sale	10	-	-
Total liabilities		215 744 237	230 913 100
Net assets		869 683 532	651 722 394
NET ASSETS			
Reserves		88 827 879	88 526 258
Accumulated surplus / (deficit)		780 855 653	563 196 136
Total net assets		869 683 532	651 722 394

King Sabata Dalindyebo Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	17	117 216 295	61 489 662
Service charges	18	170 480 353	116 289 243
Rental of facilities and equipment	19	10 924 103	10 310 380
Interest earned - external investments	20	2 366 648	1 686 764
Interest earned - outstanding receivables	21	23 382 824	26 750 361
Fines		1 806 240	1 228 919
Licences and permits		11 913 647	7 994 196
Government grants and subsidies - Operating	22	122 175 595	98 993 234
Government grants and subsidies - Capital	22	167 355 870	143 636 567
Other income	23	5 855 617	5 022 393
Total revenue		633 477 193	473 401 721
Expenses			
Employee related costs	24	180 635 962	165 676 814
Remuneration of councillors	25	15 825 035	12 836 742
Bad debts		12 980 890	31 861 635
Debtors adjustments		8 897 139	6 242 982
Depreciation and amortisation expense	26	15 286 844	26 011 715
Repairs and maintenance		8 421 985	9 117 924
Finance costs	27	5 087 624	1 066 782
Bulk purchases	28	72 031 115	56 606 806
Contracted services	29	2 860 055	2 057 987
Grants and subsidies paid	30	18 727 246	22 404 322
General expenses	31	70 957 409	44 355 935
Total expenses		411 711 305	378 239 645
Gain/(Loss) on disposal of assets	32	254 395	(986 259)
Surplus / (deficit) for the period		222 020 282	94 175 818

King Sabata Dalindyebo Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2008	3 986 164	808 498	4 794 662	408 199 524	412 994 186
Correction of valuation of PPE & Investment Property	121 530 851		121 530 851	(2 388 193)	119 142 657
Restated balance 30 June 2008	125 517 015	808 498	126 325 513	405 811 331	532 136 843
<i>PIC loan write off of accumulated interest</i>			-	57 768 644	57 768 644
<i>Correction of prior period error - DWAF</i>			-	34 495 131	34 495 131
<i>Correction of prior period error - Reversal of provision for bad debts</i>			-	7 136 511	7 136 511
<i>Correction of prior period error - Grant spent recognised in revenue</i>			-	(16 681 376)	(16 681 376)
<i>Correction of prior period error - Grant expenditure housing</i>			-	13 093 240	13 093 240
<i>Other items</i>			-	696 627	696 627
<i>Correction of prior period error - valuation of properties</i>	33 299 790		33 299 790	(33 299 790)	-
<i>Movement in reserves</i>		331 894	331 894	-	331 894
Surplus / (deficit) for the period			-	94 175 818	94 175 818
Balance at 30 June 2009	158 816 805	1 140 392	159 957 197	563 196 136	723 153 333
Correction of valuation of Investment Property	(9 842 939)		(9 842 939)	-	(9 842 939)
Correction of ngangelizwe housing stock	(61 588 000)		(61 588 000)	-	(61 588 000)
	87 385 866	1 140 392	88 526 258	563 196 136	651 722 394
Debtors corrections - prior year			-	(3 450 000)	(3 450 000)
Receipts not banked - 2008			-	(752 896)	(752 896)
Surplus / (deficit) on revaluation of investment property			-	-	-
<i>Other items</i>			-	(157 869)	(157 869)
<i>Movement in reserves</i>	-	301 622	301 622	-	301 622
Transfers to / from accumulated surplus/(deficit)			-	-	-
Surplus / (deficit) for the period			-	222 020 282	222 020 282
Balance at 30 June 2010	87 385 866	1 442 014	88 827 879	780 855 653	869 683 533

King Sabata Dalindyebo Municipality			
CASH FLOW STATEMENT			
as at 30 June 2010			
	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		587 513 786	445 908 421
Cash paid to suppliers and employees		(383 621 230)	(295 120 980)
Cash Generated from operations	34	203 892 556	150 787 441
Interest received		25 749 471	28 437 126
Interest paid		(5 087 624)	(1 066 782)
Net cash flows from operating activities		224 554 403	178 157 784
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(145 394 423)	(121 899 917)
Proceeds on disposal of property, plant and equipment		254 395	-
Decrease in non-current receivables		38 458	54 268
Increase/decrease in call investment deposits		(57 816 956)	(20 379 243)
Net cash flows from investing activities		(202 918 526)	(142 224 892)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(4 374 744)	(5 106 354)
Repayment/Raising of finance lease liability		(81 727)	524 809
Increase in consumer deposits		205 538	392 282
Increase/(decrease) in Funds and Reserves		(25 886 325)	1 202 220
Net cash flows from financing activities		(30 137 258)	(2 987 043)
Net increase / (decrease) in net cash and cash equivalents		(8 501 381)	32 945 850
Net cash and cash equivalents at beginning of period		30 761 346	(2 184 504)
Net cash and cash equivalents at end of period	34.3	22 259 965	30 761 346

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

2 RESERVES

2.1 REVALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

2.2 SELF INSURANCE RESERVE

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

3 PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

3.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

3.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	7
Sewerage	15-20	Furniture and fittings	10
		Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	15
Recreational Facilities	20-30	Other items of plant and equipment	5
Security	5	Landfill sites	30
Halls	30	Computer equipment	3
Libraries	30		
Parks and gardens	20-30		
Sport Fields	20-30		
Heritage assets		Finance lease assets	
Buildings	30	Vehicles	5
Paintings and artifacts	Infinite		

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

4 INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

5 INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

5.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

King Sabata Dalindyebo Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

King Sabata Dalindyebo Municipality
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16 EMPLOYEE BENEFITS

16.1 SHORT - TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

16.2 TERMINATION BENEFITS

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

16.3 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined Benefit Plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Post Employment Medical Care Benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

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17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	2 200	2 200
Cash at bank	22 257 765	30 761 730
	<u>22 259 965</u>	<u>30 763 930</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Meeg Bank - Mthatha: Account Number 4048218780	(3 802 107)	21 864 989
Cash book balance at beginning of year	21 862 406	(13 788 439)
Cash book balance at end of year	<u>(3 802 107)</u>	<u>21 862 406</u>
Bank statement balance at beginning of year	27 802 138	12 179 091
Bank statement balance at end of year	<u>12 670 608</u>	<u>27 802 138</u>
<u>Current Account (Other Account)</u>		
Meeg Bank Cash Focus - Mthatha: Account Number 4053806112	16 439	13 238
Meeg Bank Inter government grant - Mthatha: Account Number 408400474	12 607 319	6 780 981
Meeg Bank Electricity Account - Mthatha Account Number 4061496604	1 877 096	891 688
FNB Electricity Income - Mthatha Account Number 62090323636	11 559 018	1 210 833
Cash book balance at beginning of year	8 896 741	11 601 735
Cash book balance at end of year	<u>26 059 872</u>	<u>8 896 741</u>
Bank statement balance at beginning of year	8 561 979	5 449 720
Bank statement balance at end of year	<u>15 608 604</u>	<u>8 561 979</u>
<u>Cash on hand</u>	<u>2 200</u>	<u>2 200</u>
Total cash and cash equivalents	<u>22 259 965</u>	<u>30 761 346</u>

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Trade receivables			
as at 30 June 2010			
Service debtors			
Rates	68 057 453	(14 402 475)	74 654 978
Electricity	17 772 484	(2 874 187)	14 898 297
Water	-	-	-
Sewerage	-	-	-
Refuse	52 629 484	(8 511 301)	44 118 183
Housing rental	43 162 158	(6 980 234)	36 181 924
Other	(5 605 711)	906 562	(4 699 149)
Total	187 816 867	(31 881 635)	155 935 232
as at 30 June 2009			
Service debtors			
Rates	90 328 545	(8 025 754)	84 302 791
Electricity	10 238 908	(1 679 198)	8 559 710
Water	389 855	(80 657)	309 198
Sewerage	624 389	(102 401)	521 988
Refuse	49 809 887	(8 188 904)	41 640 983
Housing rental	42 293 588	(15 724 487)	26 569 101
Other	611 120	(100 225)	510 895
Total	194 276 301	(31 881 635)	162 414 666
		2010 R	2009 R
Rates Arising			
Current (0 – 30 days)		19 175 887	8 607 447
31 – 60 Days		2 643 251	3 489 873
61 – 90 Days		2 853 972	2 727 130
91 – 120 Days		64 384 343	75 504 085
Total		89 057 453	90 328 545
Electricity			
Current (0 – 30 days)		14 011 786	6 533 453
31 – 60 Days		2 515 737	1 230 337
61 – 90 Days		211 089	646 099
91 – 120 Days		1 033 872	1 629 019
Total		17 772 484	10 238 908
Water and Sewerage Arising			
Current (0 – 30 days)		-	-
31 – 60 Days		-	-
61 – 90 Days		-	-
91 – 120 Days		-	994 243
Total		-	994 243
Refuse			
Current (0 – 30 days)		11 611 440	3 064 386
31 – 60 Days		1 253 723	1 474 339
61 – 90 Days		1 441 364	1 401 994
91 – 120 Days		38 312 956	43 889 188
Total		52 629 484	49 809 887
Housing Rentals			
Current (0 – 30 days)		666 342	1 548 836
31 – 60 Days		892 616	1 116 481
61 – 90 Days		886 421	1 095 355
91 – 120 Days		40 716 779	38 531 846
Total		43 162 158	42 293 588
Other			
Current (0 – 30 days)		(6 604 607)	-
31 – 60 Days		146 169	-
61 – 90 Days		807 858	-
91 – 120 Days		45 070	611 120
Total		(5 605 711)	611 120

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
2.1			
as at 30 June 2010			
Current (0 – 30 days)	34 545 092	7 200 011	(2 825 198)
31 - 60 Days	6 512 881	687 715	249 263
61 - 90 Days	4 977 045	1 150 307	39 734
91 - 120 Days	128 243 211	15 565 102	670 705
Sub-total	174 278 229	24 603 135	(1 865 496)
Less: Provision for doubtful debts			
Total debtors by customer classification	174 278 229	24 603 135	(1 865 496)
as at 30 June 2009			
Current (0 – 30 days)	4 326 088	2 066 413	
31 - 60 Days	5 769 966	1 218 188	322 855
61 - 90 Days	5 960 619	972 699	94 347
91 - 120 Days	153 682 454	16 962 538	2 900 134
Sub-total	169 739 128	21 219 837	3 317 336
Less: Provision for doubtful debts	(29 695 709)	(1 873 101)	(292 825)
Total debtors by customer classification	140 043 419	19 346 737	3 024 511

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

2.2 Reconciliation of the doubtful debt provision

Balance at beginning of the year
Contributions to provision
Doubtful debts written off against provision
Reversal of provision
Balance at end of year

2010 R	2009 R
31 861 635	74
-	12
-	(48 7
-	(7 1
31 861 635	31

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, The ageing of amounts past due but not impaired is as follows:

1 month past due	14 048 389
2 months past due	7 849 124
3 months past due	6 282 653

28 180 166
14 048 389
7 849 124
6 282 653

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R (2009: R 31 861 635) were impaired and provided for. The amount of the provision was R - as of 30 June 2010 (2009: R74 827 817). The ageing of these receivables is as follows:

3 to 6 months	(31 861 635)
Over 6 months	(31 861 635)

(31 861 635)	(31 8
(31 861 635)	(31 8

The fair value of trade and other receivables approximates their carrying amounts.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors
Prepayments
Total Other Debtors

8 971 529	6
-	
8 971 529	6

4 INVENTORIES

Closing balance of inventories:
Consumable stores
Maintenance materials
Spare parts
Water
Township houses

31 256 841	28
4 154 262	
-	
744 330	
284 250	
26 074 000	26

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

5 CALL INVESTMENT DEPOSITS

Deposits

Call investments

Investment deposits are ring fenced in separate investment accounts for conditional grants.

21 393 386	27 382 504
129 921 103	66 115 029
151 314 489	93 497 533

6 NON-CURRENT RECEIVABLES

Officials : Housing loans

Total

160 181	198 640
160 181	198 640

HOUSING SELLING SCHEME LOANS

No Housing loans are granted to officials of the municipality anymore. The outstanding amount is recovered from employee salaries

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	52 877 921	7 690 925	315 721 050	128 230 965	-	3 974 081	560 950	509 055 893
Cost/Revaluation	52 877 921	16 740 289	411 964 019	146 162 811	-	18 990 338	560 950	647 296 328
Accumulated depreciation and impairment losses	-	(9 049 364)	(96 242 968)	(17 931 846)	-	(15 016 257)	-	(138 240 435)
Acquisitions	-	95 553	18 903 465	-	-	1 382 621	-	20 381 639
Capital under Construction	-	-	3 437 109	121 297 190	-	-	-	124 734 299
Depreciation	-	(514 208)	(13 289 581)	(833 779)	-	(642 641)	-	(15 280 208)
Carrying value of disposals	-	-	-	-	-	(78)	-	(78)
Cost/Revaluation	-	-	-	-	-	(56 002)	-	(56 002)
Accumulated depreciation and impairment losses	-	-	-	-	-	55 923	-	55 923
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2010	52 877 921	7 272 270	324 772 044	248 694 376	-	4 713 983	560 950	638 891 544
Cost/Revaluation	52 877 921	16 835 842	434 304 593	267 460 001	-	20 316 957	560 950	792 356 264
Accumulated depreciation and impairment losses	-	(9 563 572)	(109 532 549)	(18 765 625)	-	(15 602 975)	-	(153 464 720)

Refer to Appendix B for more detail on property, plant and equipment

Property, Plant and Equipment pledged as security

The Munitata Building is pledged as security for the overdraft facility

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	57 611 024	12 096 732	294 113 361	52 916 278	-	5 223 658	-	421 961 053
Cost/Revaluation	57 611 024	19 764 289	367 880 735	69 706 609	-	27 433 838	-	542 396 495
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(7 667 557)	(73 767 374)	(16 790 331)	-	(22 210 180)	-	(120 435 442)
Acquisitions	-	-	5 355 002	-	-	799 481	560 950	6 715 433
Capital under Construction	-	-	38 728 282	76 456 202	-	-	-	115 184 484
Depreciation	-	(1 381 807)	(22 475 595)	(1 141 515)	-	(1 012 799)	-	(26 011 715)
Carrying value of disposals	-	-	-	-	-	(1 036 259)	-	(1 036 259)
Cost/Revaluation	-	-	-	-	-	(9 242 981)	-	(9 242 981)
Accumulated depreciation and impairment losses	-	-	-	-	-	8 206 722	-	8 206 722
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	(4 733 103)	(3 024 000)	-	-	-	-	-	(7 757 103)
Revaluation	-	-	-	-	-	-	-	-
as at 30 June 2009	52 877 921	7 690 925	315 721 050	128 230 965	-	3 974 081	560 950	509 055 893
Cost/Revaluation	52 877 921	16 740 289	411 964 019	146 162 811	-	18 990 338	560 950	647 296 328
Accumulated depreciation and impairment losses	-	(9 049 364)	(96 242 968)	(17 931 846)	-	(15 016 257)	-	(138 240 435)

King Sabata Dalindyebo Municipality

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

8 INTANGIBLE ASSETS

8.1 Reconciliation of carrying value

as at 1 July 2009

Cost
Accumulated amortisation and impairment losses

Acquisitions
Amortisation

Carrying value of disposals

Cost
Accumulated amortisation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2010

Cost
Accumulated amortisation and impairment losses

Computer Software R

12 588

13 029
(441)

278 485
(6 635)

284 438

291 514
(7 076)

-

-

-

568 875

583 028
(14 152)

8.1 Reconciliation of carrying value

as at 1 July 2008

Cost
Accumulated amortisation and impairment losses

Acquisitions
Amortisation

Carrying value of disposals

Cost
Accumulated amortisation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2009

Cost
Accumulated amortisation and impairment losses

Computer Software R

142

396 636
(396 494)

13 029
(441)

(142)

(396 636)
396 494

-

-

-

12 588

13 029
(441)

9 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

9.1 Reconciliation of fair value

as at 1 July 2009

Acquisitions	-
Fair value adjustment	-
Fair value of disposals	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-

as at 30 June 2010

Investment property	Total
R	R
31 783 013	31 783 013
-	-
-	-
-	-
-	-
-	-
-	-
31 783 013	31 783 013

9.2 Reconciliation of fair value

as at 1 July 2008

Transfer from PPE	-
Fair value adjustment	-
Fair value of disposals	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-

as at 30 June 2009

Investment property	Total
R	R
31 783 013	31 783 013
-	-
-	-
-	-
-	-
-	-
-	-
31 783 013	31 783 013

The municipality has the following types of Investment properties

- Municipal Land with commercial improvements
The municipality has long term lease agreements of land where improvements are effected by investors for commercial purposes

26 391 952

- Leased business properties
These are properties leased to business owners at market related rentals

5 234 000

These properties were valued for the first time in 2009 at their fair market value.

9.3 Rental income from investment property

Lease of commercial land, residential and business properties

2010	2009
7 079 885	7 129 739

Details of valuation

The effective date of the revaluations was 31 January 2009. Revaluations were performed by an independent valuer, Mr KA Boateng, of Messrs Kanyisa Property Management Services. Kanyisa Property Management Services are not connected to the entity and have
The valuation was based on open market value for existing use.

Note	2010 R	2009 R
10 NON-CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment	-	197 396
Other assets - Inventory	-	284 250
	-	481 646
NON-CURRENT LIABILITIES HELD FOR SALE		
Current Liabilities	10 166 232	10 166 232
	10 166 232	10 166 232
<p><i>The Water and Sanitation function was transferred to the district municipality in 2003 in terms of s78 of Systems act. The transfer was not effected accurately in the accounting records as it was not possible to confirm balances until this financial year</i></p>		
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	13 089 561	27 514 978
Accruals	(2 307 120)	11 904 682
Insurance Claims	1 738 232	3 308 658
Other Creditors	15 973	4 500
Unclaimed Group Life Assurance	1 856 232	1 827 363
Payments Received in advance	1 075 999	1 075 999
Other Deposits	1 880 933	1 464 741
Unknown deposits	5 303 916	19 349 430
Reversed Stale Cheques	4 458 983	4 458 983
Staff Accrued Leave	15 244 270	12 291 505
Total creditors	42 356 979	83 200 838
<p>The fair value of trade and other payables approximates their carrying amounts.</p>		
12 CONSUMER DEPOSITS		
Electricity	947 933	678 396
Total consumer deposits	947 933	678 396
<p>No interest accrues on consumer deposits as King Sabata Dalindyebo Municipality is not a deposits-taking organisation in terms of the Banking Act.</p>		
13 VAT RECEIVABLE		
VAT receivable	35 351 536	20 631 276
<p>The municipality is registered for VAT on a payments basis</p>		

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Grants from other spheres of Government

National- Mqanduli Milling Project Grant	857 579	843 895
National: Department of Housing	4 475 185	9 208 873
National: Financial Management Grant	858 788	549 590
National: Municipal Infrastructure Grant	10 298 136	2 604 096
National: National Electrification Grant (NER)	17 638 088	1 638 759
Provincial: Department Of Transport Taxi Rank	8 308 789	8 308 789
Provincial: Disaster Management Grant	4 101 511	3 862 650
Provincial: Intervention grant	1 009 360	1 010 046
Provincial: MTAB Grant	3 397 920	3 296 443
Provincial: Mthatha Stadium	29 134 346	21 281 583
Provincial: Municipal Support Grant (MSP)	565 534	555 622
Provincial: Municipal Systems Improvement Grant	491	713 306
Provincial: Fire Station Refurbishment	3 370 291	2 600 000
Provincial: Organogram	1 000 000	1 000 000
Provincial: Full Maintenance Lease	4 200 000	4 200 000
Provincial: Urban Renewal Grant	16 815 852	13 881 659

Total Unspent Conditional Grants and Receipts

106 031 871 **75 555 310**

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

15 BORROWINGS

Local Registered Stock Loans - PIC Loan	47 426 859	51 201 582
Hire Purchase Agreement	429 853	524 809
Annuity Loans	8 384 510	8 984 530

56 241 222 **60 710 921**

Less : Current portion transferred to current liabilities

Local Registered Stock Loans	4 815 280	4 271 232
Hire Purchase Agreement - ABSA	4 082 740	3 774 723
Annuity Loans - DBSA	81 727	94 956
	650 814	401 553

Total borrowings

51 425 941 **56 439 689**

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

2010

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	81 727	39 330	42 396
Within two to five years	348 128	52 185	295 943
	<u>429 855</u>	<u>91 515</u>	<u>295 943</u>
Amount due for settlement within 12 months (current portion)			<u>42 396</u>
			<u>338 339</u>

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%. Obligations under finance leases are secured by the lessor's title to the leased asset.

2009

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	146 502	52 022	94 480
Within two to five years	531 260	100 931	430 329
	<u>677 762</u>	<u>152 953</u>	<u>524 809</u>
Amount due for settlement within 12 months (current portion)			<u>-</u>
			<u>524 809</u>

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%. Obligations under finance leases are secured by the lessor's title to the leased asset.

17 PROPERTY RATES**Actual**

Residential	39 948 894	25 810 906
Commercial	32 949 750	15 361 553
Light Industries	2 439 162	5 099 365
State	41 878 490	15 217 839
Total property rates	117 216 295	61 489 662

Valuations

Residential	3 781 514 000	1 245 765 585
Commercial	2 507 672 000	692 932 815
Agricultural	6 203 000	2 869 456
State	814 926 000	639 217 130
Exempted properties	2 554 000	35 463 091
Municipal	342 268 500	63 535 707
PSI	3 265 500	-
Open spaces	2 594 500	-
Places of Public Worship	51 918 000	-
Public Benefit Organisations	6 883 000	-
Vacant Land	159 128 500	-
Schools	405 366 000	-
Total Property Valuations	8 084 293 000	2 679 783 784

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

A general rate of 0,008 c/R, 0,0160 c/R, 0,022 c/R; 0,008 c/R and 0,0160 c/R is applied during 2009/2010 to property valuations to determine assessment rates for domestic, commercial, state, agricultural and public service infrastructure respectively.

Rates are levied on an annual basis with the final date of payment being 30 November 2009 for state and other commercial ratepayers and residential customers are levied on a monthly basis. Interest at prime plus 1% per annum is levied on outstanding rate

18 SERVICE CHARGES

Sale of electricity	153 557 974	101 435 374
Refuse removal	16 922 379	14 853 869
Total Service Charges	170 480 353	116 289 243

19 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	392 997	214 934
Rental of equipment	801 098	734 415
Rentals - lease on land	296 276	732 969
Rentals of office space	2 650 122	2 231 293
Rental of houses	6 783 609	6 396 770
Total rentals	10 924 103	10 310 380

20 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	2 366 648	1 686 764
Total interest	2 366 648	1 686 764

21 INTEREST EARNED - OUTSTANDING RECEIVABLES

Outstanding Debtors	23 382 824	26 750 361
Total interest	23 382 824	26 750 361

22 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED AND SPENT**Capital Grants**

National- Mqanduli Milling Project Grant
 National: Department of Housing and Local Government Grant
 National: Municipal Infrastructure Grant
 National: National Electrification Grant (NER)
 National: NDPG
 Provincial: Department Of Transport Taxi Rank
 Provincial: MTAB Grant
 Provincial: Mthatha Stadium
 Provincial: Full Maintenance Lease

167 355 870**143 636 567**

-	-
-	-
31 118 866	31 209 590
-	-
19 098 010	29 628 145
-	-
-	-
117 138 994	82 798 832
-	-
-	-

Operational Grants

Provincial: General Valuation
 Provincial: Disaster Management Grant
 Provincial: Intervention grant
 Provincial: Municipal Support Grant (MSP)
 Provincial: Municipal Systems Improvement Grant
 Provincial: Fire Station Refurbishment
 Provincial: Staff Establishment
 National: Equitable share
 National: Financial Management Grant
 Provincial: Capacity Building
 National: MIG Operating expenditure
 YAC Point Umsobomvu
 DEDEA Cleaning project
 HIV & Aids
 Elections infrastructure programme
 Municipal Community Partners
 Nduli Nature Reserve
 IDP Grant Fund
 Implementation Capacity to URP
 Institutionalisation of Sustainable KSD Master Plan
 Light the Pilot Media
 Khupukani Cluster Project
 Primary Health Subsidy - Department of Health
Total Government Grant and Subsidies

122 175 595**98 993 234**

-	1 120 000
-	892 025
-	-
-	-
1 456 536	735 000
-	-
-	-
100 940 104	78 924 808
(9 610)	500 000
1 500 000	-
1 718 058	-
(19 857)	166 879
-	1 000 000
-	60 000
-	1 535 500
-	384 692
(1 430)	453 829
110 000	110 000
-	-
2 025 000	-
1 000 000	-
1 740 000	-
11 716 795	13 110 501
289 531 466	242 629 801

RECONCILIATION OF GOVERNMENT GRANTS**CONDITIONAL GRANTS - CAPITAL****22.1 National- Mqanduli Milling Project Grant****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

843 895

13 684

-

857 579

759 253

84 642

-

843 895**22.2 National: Department of Housing and Local Government Grant****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

4 203 183

6 339 286

(6 066 562)

4 475 906

3 322 050

28 483 063

(27 601 930)

4 203 183**22.3 National: Municipal Infrastructure Grant****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

4 095 206

47 627 357

(39 933 317)

10 298 136

104 133

18 003 368

(14 012 295)

4 095 206**22.4 National: National Energy Regulator (NER)****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

3 485 053

6 800 000

(6 800 000)

17 638 088

3 484 770

-

283

3 485 053

22.5 Provincial: Urban Renewal Grant**Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

13 881 659

21 356 348

23 775 385

2 514 100

(20 841 192)

(9 988 789)

16 815 852**13 881 659****22.6 Provincial: Department Of Transport Taxi Rank****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

8 308 789

9 100 000

-

-

-

(791 211)

8 308 789**8 308 789****22.7 Provincial: MTAB Grant****Balance unspent at beginning of year**

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 14)

3 296 443

3 567 270

101 477

386 471

-

(657 298)

3 397 920**3 296 443**

22.8 Provincial: Mthatha Stadium		
Balance unspent at beginning of year	21 281 583	117 727
Current year receipts	124 991 758	103 962 687
Conditions met - transferred to revenue	(117 138 994)	(82 798 832)
Conditions still to be met - remain liabilities (see note 14)	29 134 346	21 281 583
22.9 Provincial: Full Maintenance Lease		
Balance unspent at beginning of year	4 200 000	-
Current year receipts	-	4 200 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	4 200 000	4 200 000
22.10 Provincial: General Valuation		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	-	-
22.11 Provincial: Disaster Management Grant		
Balance unspent at beginning of year	3 862 650	3 031 389
Current year receipts	126 361	1 831 262
Conditions met - transferred to revenue	-	-1 000 000
Conditions still to be met - remain liabilities (see note 14)	4 101 511	3 862 650
22.12 Provincial: Intervention grant		
Balance unspent at beginning of year	1 010 046	1 006 701
Current year receipts	-	4 045
Conditions met - transferred to revenue	(686)	(701)
Conditions still to be met - remain liabilities (see note 14)	1 009 360	1 010 046
22.13 Provincial: Municipal Support Grant (MSP)		
Balance unspent at beginning of year	555 622	3 199 509
Current year receipts	(9 912)	104 997
Conditions met - transferred to revenue	-	(2 748 884)
Conditions still to be met - remain liabilities (see note 14)	555 534	555 622
22.14 Provincial: Municipal Systems Improvement Grant		
Balance unspent at beginning of year	713 306	640 307
Current year receipts	8 736	73 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	491	713 306
22.15 Provincial: Fire Station Refurbishment		
Balance unspent at beginning of year	2 600 000	-
Current year receipts	770 291	2 600 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	3 370 291	2 600 000
22.16 Provincial: Staff Establishment		
Balance unspent at beginning of year	1 000 000	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	1 000 000	1 000 000
22.17 National: Equitable share		
Balance unspent at beginning of year	-	-
Current year receipts	100 940 104	78 924 808
Conditions met - transferred to revenue	(100 940 104)	(78 924 808)
Conditions still to be met - remain liabilities (see note 14)	-	-
22.18 National: Financial Management Grant		
Balance unspent at beginning of year	549 590	460 498
Current year receipts	759 197	89 093
Conditions met - transferred to revenue	(450 000)	-
Conditions still to be met - remain liabilities (see note 14)	858 788	549 590
22.19 Provincial: DEDEA Projects		
Balance unspent at beginning of year	-	-
Current year receipts	2 740 000	-
Conditions met - transferred to revenue	-	1
Conditions still to be met - remain liabilities (see note 14)	2 740 000	1
22.20 Provincial: Capacity Building		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 500 000)	-
Conditions still to be met - remain liabilities (see note 14)	-	-

23 OTHER INCOME

Sundry Fees	56 327	21 974
Fire Brigade Fees	2 395 624	2 197 051
Vehicle examination - Road worthy Fees	1 389 570	1 161 001
Cemetery Fees	126 731	234 476
Hire of Hall Furnishings	3 061	6 989
Disconnection: Illegal connections	225 112	94 451
Call out revenue	50 849	26 191
New connections for electricity	260 485	377 344
Sundry revenue	365 999	314 427
Tender fees	220 700	154 300
Meter testing	712 425	434 191
Pound Fees	28 734	-
Insurance claims	20 000	-
Total Other Income	5 855 617	5 022 393

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	106 007 238	96 363 472
Employee related costs - Contributions for UIF, pensions and medical aids	35 598 427	31 684 221
Travel, motor car, accommodation, subsistence and other allowances	15 006 228	10 725 107
Housing benefits and allowances	11 499 913	10 364 047
Overtime payments	6 472 665	12 809 607
Performance and other bonuses	30 006	189 178
Long-service awards	2 820 415	2 926 272
Workmens Compensation	1 640 601	-
Skills development levy	1 560 468	614 910
Total Employee Related Costs	180 635 962	165 676 814

Remuneration of the Municipal Manager

Annual Remuneration	804 000	895 000
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	91 000	-
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	896 497	896 497

Remuneration of the Chief Finance Officer

Annual Remuneration	704 000	641 250
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	42 600	47 954
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	748 097	690 701

Remuneration of Individual Directors

(Appointed in August 2009)

2010

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	505 000	481 113	561 532
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	136 876	110 934	14 340
Contributions to UIF, Medical and Pension Funds	1 497	1 373	1 373
Total	643 373	593 420	577 245

2010

	Public Safety R	Local Economic Development R
Annual Remuneration	521 167	537 500
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	82 052	28 989
Contributions to UIF, Medical and Pension Funds	1 373	1 248
Total	604 591	567 737

2009

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	505 000	-	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	136 876	-	-
Contributions to UIF, Medical and Pension Funds	1 497	-	-
Total	643 373	-	-

2009

	Public Safety R	Local Economic Development R
Annual Remuneration	-	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	-	-

25 REMUNERATION OF COUNCILLORS

Executive Mayor	623 811	572 985
Speaker	449 312	366 659
Executive Committee Members	3 798 505	2 794 835
Councillors	10 953 407	9 102 263
Total Councillors' Remuneration	15 825 035	12 836 742

In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has two full-time bodyguards.

26 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	15 280 208	26 011 715
Intangible assets	6 635	-
Total Depreciation and Amortisation	15 286 844	26 011 715

27 FINANCE COSTS

Borrowings	5 082 866	954 080
Overdue accounts	2 435	95 669
Other	2 324	17 033
Total Finance Costs	5 087 624	1 066 782

28 BULK PURCHASES

Electricity	72 031 115	56 606 806
Total Bulk Purchases	72 031 115	56 606 806

29 CONTRACTED SERVICES

Security Services	2 860 055	2 057 987
	2 860 055	2 057 987

30 GRANTS AND SUBSIDIES PAID

Grant Expenditure - Disaster Management Grant	320 414	929 027
Grant Expenditure - Financial Managent Grant	939 136	502 616
Grant Expenditure - Municipal Support Programme	412 038	975 045
Grant Expenditure - Indigent Data Base Setup	335	54 726
Grant Expenditure - Capacity Building	1 490 579	-
Grant Expenditure - Staff Establishment	263 462	-
Grant Expenditure - DEDEA -Light the Pilot Media Production	375 774	-
Grant Expenditure - Municipal Community Partnership	390 934	-
Grant Expenditure - Nduli Nature Reserve	352 486	-
Grant Expenditure - H.I.V	45 160	-
Grant Expenditure - DEDEA Cleaning project	303 724	167 198
Grant Expenditure - Election infrastructure	-	1 334 000
Grant Expenditure - MSIG	930 296	735 382
Grant Expenditure - URP	647 772	3 825 559
Grant Expenditure - IDP Grant Fund	272 957	337 528
Grant Expenditure - RDP Housing	-	4 274 132
Grant Expenditure - Other	164 907	214 920
Public Expense - Elderly, Children, Disabled, Gender Equality, Youth, Sport	1 604 935	842 609
KSD Contribution - Grant	117 331	1 712 771
KSD Contribution - Ward Based Budgeting	3 232 926	476 102
KSD Contribution - Traditional Leaders	283 528	394 301
Council Ward Committee Meeting Incentive	936 297	354 295
Community Participation	968 397	823 080
Indigent Subsidy	3 919 830	161 645
Free Basic Electricity	683 439	4 225 911
Study Bursaries	70 590	63 474
	18 727 246	22 404 322

31 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	35 430	68 171
Audit fees	5 009 658	2 660 498
Bank charges	1 001 361	1 039 871
Base Camp campaign	1 212 337	-
Cleaning	1 993 338	4 609 342
Community development	1 207 009	1 189 658
Conferences and delegations	1 017 485	513 418
Consulting fees	2 801 407	2 059 206
Plastic Bags	1 372 680	1 532 105
Discount Allowed	571 441	353 395
Entertainment	204 485	186 669
Fuel and oil	329 385	1 536 364
Gas and Oxygen	11 911	24 625
Insurance	5 777 367	2 506 531
Legal expenses	9 751 016	6 044 194
Levies paid - SALGA	951 635	807 071
Leave Pay accrual	4 092 042	-
Licence fees	90 042	78 490
Membership fees	-	-
Other Expenses	1 574 582	1 654 412
Printing and stationery	1 014 385	1 020 530
Promotions and Sponsorship	640 339	32 613
Prodiba licence card fees	1 534 418	1 760 896
Recruitment Expenses	206 289	395 697
Rental of buildings	362 167	377 072
Rental of office equipment	1 937 973	1 934 333
Rental of Vehicles	4 647 127	622 327
Municipal Service charges	11 879 970	1 625 629
Stocks and material	179 780	999 493
Software Expenses	34 279	26 904
Staff Welfare	145 014	32 423
Subscription & publication	17 255	13 436
Telephone cost	6 504 054	4 595 540
Training	777 005	841 506
Travel and subsistence	1 036 666	801 238
Uniforms & overalls	340 785	336 617
Vehicle Registration Fees	131 651	100 872
Valuation costs	563 641	1 974 789
	70 957 409	44 355 935

32 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	(254 395)	986 259
Total Gain / (Loss) on Sale of Assets	(254 395)	986 259

33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Investment property carried at fair value	-	-
Total Profit / (Loss) on Fair Value Adjustment	-	-

34 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	222 020 282	94 175 818
Adjustment for:-		
Depreciation and amortisation	15 286 844	26 011 715
(Gain) / loss on sale of assets	(254 395)	986 259
Finance costs	5 087 624	1 066 782
Interest earned	(25 749 471)	(28 437 126)
Debtors adjustments	8 897 139	6 242 982
Bad Debts	12 980 890	31 861 635
Operating surplus before working capital changes:	238 268 914	131 908 065
(Increase)/decrease in inventories	(3 193 721)	(58 926)
(Increase)/decrease in trade receivables	(2 739 566)	13 808 451
(Increase)/decrease in other receivables	(2 754 110)	6 275 030
(Increase)/decrease in VAT receivable	(14 720 260)	(19 139 657)
(Increase)/decrease in non current assets held for sale	-	(481 646)
Increase/(decrease) in conditional grants and receipts	30 476 560	23 299 398
Increase/(decrease) in trade payables	(41 445 262)	29 671 855
Increase / (decrease) in non current liabilities held for sale	-	(34 495 131)
(Decrease)/ increase in provisions	-	-
Cash generated by/(utilised in) operations	203 892 556	150 787 440
34.1 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT		
Total Revenue	633 477 193	473 401 722
Adjusted for non-cash items		
Adjusted for items presented separately		
- Interest received on investments	(2 366 648)	(1 686 764)
- Interest received other	(23 382 824)	(26 750 361)
Adjusted for changes in working capital		
- (Increase) / decrease in consumer debtors	(2 739 566)	13 808 451
- (Increase) / decrease in other debtors	(2 754 110)	6 275 030
- (Increase) / decrease in VAT receivable	(14 720 260)	(19 139 657)
	587 513 786	445 908 421
34.2 CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	(411 456 910)	(379 225 904)
Adjusted for non-cash items		
- Depreciation	15 286 844	26 011 715
- Gain/Loss on disposal of PPE	(254 395)	986 259
- Bad debts	12 980 890	31 861 635
- Debtors adjustments	8 897 139	6 242 982
Adjusted for items presented separately		
- Interest paid	5 087 624	1 066 782
Adjusted for changes in working capital		
- (Increase) / decrease in creditors	(41 445 262)	29 671 855
- (Increase) / decrease in unspent conditional grants	30 476 560	23 299 398
- (Increase) / decrease in provisions	-	-
- (Increase) / decrease in non current liabilities held for sale	-	(34 495 131)
- (Increase)/decrease in non current assets held for sale	-	(481 646)
- Increase / (decrease) in inventory	(3 193 721)	(58 926)
	(383 621 230)	(295 120 980)
34.3 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	22 259 965	30 761 346
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	22 259 965	30 761 346

35 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

35.1 Provisions

Balance previously reported

Provision for leave pay

Reclassified to Trade and other payables

Total

-

35.2 Trade and Other Payables

Balance previously reported

Transferred to Non-current liabilities held for sale

Reclassification from provision

Total

-

-

35.3 Current Portion of Long-Term Loan

Balance previously reported -

Reclassified as long term portion - PIC loan renegotiated

Total

-

-

36 CORRECTION OF ERROR

	Previously reported	Correction	Restated
Statement of Financial Position			
Inventories	87 662 000	(61 588 000)	26 074 000
Investment property carried at fair value	41 625 952	(9 842 939)	31 783 013
Net effect on assets	<u>129 287 952</u>	<u>(71 430 939)</u>	<u>26 074 000</u>
Net Assets			
Revaluation reserve	<u>159 957 197</u>	<u>(71 430 939)</u>	<u>88 526 258</u>
	<u>159 957 197</u>	<u>(71 430 939)</u>	<u>88 526 258</u>

Properties to be transferred under the discount benefit scheme initially recorded including improvements value per valuation roll, now corrected to reflect the site value

Prior year error on investment property calculation - Mthatha Plaza corrected

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE 37 DISALLOWED

37.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	40 486 363
Unauthorised expenditure current year		
Approved by Council or condoned	-	(40 486 363)
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>

37.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance -	-	13 704 829
Fruitless and wasteful expenditure current year		
Condoned or written off by Council	-	(13 704 829)
To be recovered – contingent asset (see note 55)		
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

As at 30 June 2010, the municipality incurred R13,7 million due to interest incurred on external borrowings in which the municipality has defaulted. The municipality has subsequently renegotiated the loan where the interest was written off and a revised I

37.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	2 482 746	10 100 000
Fruitless and wasteful expenditure current year	-	2 482 746
Condoned or written off by Council	(2 482 746)	(10 100 000)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>-</u>	<u>2 482 746</u>

The irregular expenditure relates to procurement of goods and services that were not in terms of the municipality's policies and procedures

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
38 MANAGEMENT ACT

38.1 Contributions to organised local government

Opening balance	-	
Council subscriptions	1 035 031	840 463
Amount paid - current	(1 035 031)	(840 463)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

38.2 Audit fees

Opening balance	-	
Current year audit fee	5 009 658	3 003 332
Amount paid - current year	(5 009 658)	(3 003 332)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

38.3 PAYE and UIF

Opening balance		
Current year payroll deductions	21 900 388	20 669 894
Amount paid - current year	(21 900 388)	(20 669 894)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

38.4 Pension and Medical Aid Deductions

Opening balance	-	
Current year payroll deductions and Council Contributions	48 323 175	43 412 047
Amount paid - current year	(48 323 175)	(43 412 047)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

38.5 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2010

	Total	Outstanding less	Outstanding more
	R	than 90 days	than 90 days
		R	R
Councillor Ngcobo F.R.S.	23 647	8 522	15 125
Councillor Mvusi OG	627	627	-
Councillor Mashiyi TB	1 415	1 415	-
Councillor Sobahle N	795	795	-
Councillor Dawuwa SS	522	522	-
Councillor Mzimane	12 359	1 137	11 222
Councillor Soldati F.N.	31 540	1 810	29 730
Councillor Pierce	13 704	1 956	11 748
Councillor Ngqongwa	8 369	218	8 151
Councillor Lumkwana A.L.	12 340	5 151	7 189
Councillor Gwadiso J.P.	10 622	2 131	8 491
Councillor Mlamli S	5 328	136	5 191
Total Councillor Arrear Consumer Accounts	121 268	24 420	96 848

as at 30 June 2009

Councillor Mlandu S.N.	3 576	366	3 210
Councillor Soldati F.N.	22 448	342	22 107
Councillor Pierce	6 348	568	5 780
Councillor Ngqongwa	3 327	37	3 289
Councillor Ngcobo F.R.S.	5 750	2 892	2 858
Councillor Lumkwana A.L.	117	117	-
Councillor Sangovana E.	2 268	26	2 243
Councillor Gwadiso J.P.	1 615	544	1 071
Councillor Mantanga P.N.	8 261	421	7 840
Total Councillor Arrear Consumer Accounts	53 710	5 313	48 398

39 CAPITAL COMMITMENTS

39.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure

Community

- Approved but not yet contracted for

Infrastructure

Community

Other

Total

This expenditure will be financed from:

- Government Grants

- Borrowing

- Own resources

	74 090 609	51 770 419
	18 606 925	12 403 995
	55 483 683	39 366 424
	136 761 070	195 522 000
	114 745 759	50 647 000
	19 718 348	143 061 000
	2 296 964	1 814 000
	210 851 679	247 292 419
	163 569 953	245 144 419
	40 000 000	-
	7 282 070	2 148 000
	210 852 023	247 292 419

40 RETIREMENT BENEFIT INFORMATION

40.1 Defined benefit and defined contribution plans

Most councilors and employees belong to 2 defined benefit funds and 4 defined contribution funds administered by Provincial and National Pension Funds. These funds are subject to a triennial actuarial valuation. The last valuation was performed in June

An amount of R14.2 million (2009 : R14.2 million) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

41 CONTINGENT LIABILITY

The Council envisage the following potential liabilities in the form of various litigation and arbitration cases:

- Land claim cases pending in court:
- Loss claim - Construction company
- Accident claim

	-	5 200 000
	-	3 500 000
	1 000 000	1 000 000
	1 000 000	9 700 000

The municipality is currently defending all these cases

Some of the cases are in their final stages and rulings may be made in the next few months

At this stage the probability of being liable for these claims is remote, pending the outcome of the court rulings. The impact is in the delay of the progress of the infrastructure projects

40 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

Description

DBSA Siyenza Manje programme - 3 Senior officials 8 young professionals

41 RELATED PARTIES

Members of key management
Close family members of key management
Compensation to councillors and other key management (refer to note 24)

Related party balances

Loan accounts - Owing (to) by related parties
There are currently no loans made to related parties

Amounts included in Trade receivable (Trade payable) regarding related parties
Refer to note 38 on councillor's arrear consumer accounts

Related party transactions

There were no related party transactions identified in the current year under review

42 EVENTS AFTER THE REPORTING DATE

The municipality has an intention of borrowing R40 million from financial institutions for the upgrade of the electricity infrastructure. The process was initiated during the budget process for the 2010-2012 MTREF period. Council has yet to approve the f

43 RISK MANAGEMENT

43.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

MeegBank - Call deposit	-	10 000 000
Trade and other receivables	165 154 233	162 414 666

These balances represent the maximum exposure to credit risk.

In the 2008/9 financial year, the municipality was exposed to a guarantee for the overdraft facilities of R14,5 million issued in favour of the Meeg Bank. The Munitata Building was ceded to the bank as security for the overdraft facility.

The overdraft facility was not renewed in the 2009/10 financial year. ABSA bank was requested to cancel the cession of the building as security for the overdraft facility

Trade receivables comprise a widespread customer base. The highest risk lies with outstanding accounts for households

43.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual

2010

Gross finance lease obligations
Borrowings
Trade and other payables
Unearned finance charges

One month and not later than three months	Later than three months and not later than one year
19 591	62 136
181 592	4 551 962
10 782 441	31 574 538
275 047	4 493 504

2010

Gross finance lease obligations
Borrowings
Trade and other payables
Unearned finance charges

Later than one year and not later than five years	Later than five years
348 128	-
31 997 453	17 355 063
-	-
12 995 122	2 137 026

2009

Gross finance lease obligations
Borrowings
Trade and other payables
Other

One month and not later than three months	Later than three months and not later than one year
23 592	29 572
-	580 227

2009

Gross finance lease obligations
Borrowings
Trade and other payables
Other

Later than one year and not later than five years	Later than five years
93 336	531 260
9 111 012	38 221 712

43.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	129 921 103	66 115 029
- Notice deposits	21 393 386	27 382 504
- PIC Loan	47 426 859	51 201 582
- Development Bank of South Africa loan	8 384 510	8 984 530
- Meeg/ABSA lease	429 853	524 809

43.4 Other price risk

The municipality is subject to changes in electricity prices

44 RESTATEMENT OF COMPARATIVE INFORMATION

	Previously reported	Adjustment	Restated
Statement of Financial Position:			
Other receivables from non-exchange transactions - Reclassification	2 712 345	3 505 074	6 217 419
Inventories - Correction of an error and reclassification	89 366 870	-61 303 750	28 063 120
Non-current assets held for sale - reclassification to inventory and assets	481 646	-481 646	-
Property, plant and equipment - Reclassification from non- Current assets held for sale	508 858 497	197 396	509 055 893
Investment property carried at fair value - Correction of an error	41 625 952	-9 842 939	31 783 013
Trade and other payables from exchange transactions - Reclassification	80 297 166	3 505 075	83 802 241
	<u>723 342 476</u>	<u>-64 420 790</u>	<u>658 921 686</u>

45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1)



King Sabata Dalindyebo Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2010

		Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Finance charges	Redeemed / written off during the period	Balance at 30 June 2010
EXTERNAL LOANS				R	R		R	R
LONG-TERM LOANS								
PIC restructured loan agreement			31 Dec 2018	51 201 582	-	4 022 112	7 796 835	47 426 859
Total PIC loan at 30 June 2009					-		7 796 835	47 426 859
ANNUITY LOAN								
DBSA		10 875	31/03/2018	5 628 540	-	1 030 772	1 160 456	5 498 857
DBSA		13 335	31/12/2020	3 126 506	-	294 824	566 694	2 854 636
				8 755 046	-	1 325 596	1 727 149	8 353 493
TOTAL EXTERNAL LOANS								

APPENDIX A

KING SABATA DALINDYEBO MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Finance charges	Redeemed / Write Off during Period	Balance at 30 June 2010	
LEASE LIABILITIES									
MEEG	Prime - 1.5%	3012472131		4 357		36	4 391	3	
MEEG	Prime -1.05%	3012472199		8 709		107	8 810	6	
MEEG	Prime - 1.05%	3012472220		8 747		110	8 850	6	
MEEG		3025908323		503 028	-	49 123	122 282	429 869	
				524 841	-		144 333	429 884	

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	52 877 921	-	-	-	52 877 921	-	-	-	-	-	-	-	52 877 921
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	52 877 921	-	-	-	52 877 921	-	-	-	-	-	-	-	52 877 921
Buildings													
Workshops & Depots	1 300 000	95 553	-	-	1 395 553	(433 333)	(43 333)	-	-	(476 666)	-	-	918 887
Vehicle Testing Station	4 536 723	-	-	-	4 536 723	(4 394 605)	(6 623)	-	-	(4 401 228)	-	-	135 495
Housing schemes	10 903 566	-	-	-	10 903 566	(4 221 426)	(464 251)	-	-	(4 685 677)	-	-	6 217 889
	16 740 289	95 553	-	-	16 835 842	(9 049 364)	(514 208)	-	-	(9 563 572)	-	-	7 272 270
Infrastructure													
Bridges, Subways	82 400	-	-	-	82 400	(9 156)	(2 747)	-	-	(11 903)	-	-	70 497
Bus Terminals	115 000	-	-	-	115 000	(38 333)	(3 833)	-	-	(42 166)	-	-	72 834
Car Parks	10 488	-	-	-	10 488	(39 031)	(350)	-	-	(39 381)	-	-	(28 893)
Electricity: Cable	31 431 838	-	-	-	31 431 838	(1 271 977)	(56 773)	-	-	(1 328 750)	-	-	30 103 088
Electricity: Suppl	175 265 941	-	-	-	175 265 941	(42 485 912)	(1 113 552)	-	-	(43 599 464)	-	-	131 666 477
Electricity: Meter	8 058 621	-	-	-	8 058 621	(3 025 422)	(46 834)	-	-	(3 072 256)	-	-	4 986 365
Fencing	29 828	-	-	-	29 828	(29 767)	-	-	-	(29 767)	-	-	61
Footways	378 937	-	-	-	378 937	(94 336)	-	-	-	(94 336)	-	-	284 601
Paving	157 532	-	-	-	157 532	-	-	-	-	-	-	-	157 532
Public Works	3 858 000	-	-	-	3 858 000	(1 286 000)	(128 600)	-	-	(1 414 600)	-	-	2 443 400
Roads	186 715 436	18 903 465	-	3 437 109	209 056 009	(46 762 767)	(11 688 191)	-	-	(58 450 958)	-	-	150 605 052
Sewers	144 503	-	-	-	144 503	(28 900)	(7 225)	-	-	(36 125)	-	-	108 378
Stormwater	250 000	-	-	-	250 000	(52 604)	(12 500)	-	-	(65 104)	-	-	184 896
Street Lighting	1 174 370	-	-	-	1 174 370	(207 200)	(54 432)	-	-	(261 632)	-	-	912 738
Taxiways	4 291 125	-	-	-	4 291 125	(911 564)	(174 545)	-	-	(1 086 109)	-	-	3 205 017
	411 964 019	18 903 465	-	3 437 109	434 304 593	(96 242 968)	(13 289 581)	-	-	(109 532 549)	-	-	324 772 044
Community Assets													
Clinics and hospitals	5 795 020	-	-	9 960 831	15 755 851	(1 036 457)	(12 900)	-	-	(1 049 357)	-	-	14 706 494
Community centres	15 245 649	-	-	8 831 486	24 077 135	(4 597 213)	(491 746)	-	-	(5 088 959)	-	-	18 988 176
Fire Stations	3 606 333	-	-	-	3 606 333	(888 234)	(120 211)	-	-	(1 008 445)	-	-	2 597 888
Libraries	1 498 065	-	-	-	1 498 065	(415 292)	(49 935)	-	-	(465 227)	-	-	1 032 838
Office buildings	32 085 606	-	-	-	32 085 606	(7 317 362)	(5 409)	-	-	(7 322 771)	-	-	24 762 835
Outdoor sports facilities	321 676	-	-	-	321 676	(112 587)	(16 084)	-	-	(128 671)	-	-	193 005
Parks	1 115 000	-	-	-	1 115 000	(334 500)	-	-	-	(334 500)	-	-	780 500
Public conveniences/ Bathroom	56 000	-	-	-	56 000	(18 667)	(1 867)	-	-	(20 534)	-	-	35 466
Stadiums	83 686 795	-	-	102 504 873	186 191 668	(2 325 819)	(93 293)	-	-	(2 419 112)	-	-	183 772 556
Swimming pools	2 752 667	-	-	-	2 752 667	(885 715)	(42 333)	-	-	(928 048)	-	-	1 824 619
	146 162 811	-	-	121 297 190	267 460 001	(17 931 846)	(833 779)	-	-	(18 765 625)	-	-	248 694 376
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	627 745 040	18 999 018	-	124 734 299	771 478 357	(123 224 178)	(14 637 568)	-	-	(137 861 746)	-	-	633 616 611

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	57 611 024	-	-	-	57 611 024	-	-	-	-	-	(4 733 103)	-	52 877 921
	57 611 024	-	-	-	57 611 024	-	-	-	-	-	(4 733 103)	-	52 877 921
Buildings													
Workshops & Depots	1 300 000	-	-	-	1 300 000	(390 000)	(43 333)	-	-	(433 333)	-	-	866 667
Vehicle Testing Station	4 536 723	-	-	-	4 536 723	(3 520 382)	(874 223)	-	-	(4 394 605)	-	-	142 118
Housing schemes	13 927 566	-	-	-	13 927 566	(3 757 175)	(464 251)	-	-	(4 221 426)	(3 024 000)	-	6 682 140
	19 764 289	-	-	-	19 764 289	(7 667 557)	(1 381 807)	-	-	(9 049 364)	(3 024 000)	-	7 690 925
Infrastructure													
Bridges, Subways	82 400	-	-	-	82 400	(6 409)	(2 747)	-	-	(9 156)	-	-	73 244
Bus Terminals	115 000	-	-	-	115 000	(34 500)	(3 833)	-	-	(38 333)	-	-	76 667
Car Parks	10 488	-	-	-	10 488	(1 515)	(37 516)	-	-	(39 031)	-	-	(28 543)
Electricity: Cable	31 431 838	-	-	-	31 431 838	(1 271 977)	-	-	-	(1 271 977)	-	-	30 159 861
Electricity: Suppl	169 910 939	5 355 002	-	-	175 265 941	(32 764 282)	(9 721 630)	-	-	(42 485 912)	-	-	132 780 029
Electricity: Meter	8 058 621	-	-	-	8 058 621	(3 025 422)	-	-	-	(3 025 422)	-	-	5 033 199
Fencing	29 828	-	-	-	29 828	(29 767)	-	-	-	(29 767)	-	-	61
Footways	378 937	-	-	-	378 937	(63 823)	(30 513)	-	-	(94 336)	-	-	284 601
Paving	157 532	-	-	-	157 532	-	-	-	-	-	-	-	157 532
Public Works	3 858 000	-	-	-	3 858 000	(1 157 400)	(128 600)	-	-	(1 286 000)	-	-	2 572 000
Roads	148 778 365	-	-	37 937 071	186 715 436	(34 460 714)	(12 302 054)	-	-	(46 762 767)	-	-	139 952 668
Sewers	144 503	-	-	-	144 503	(21 675)	(7 225)	-	-	(28 900)	-	-	115 603
Stormwater	250 000	-	-	-	250 000	(40 104)	(12 500)	-	-	(52 604)	-	-	197 396
Street Lighting	1 174 370	-	-	-	1 174 370	(152 768)	(54 432)	-	-	(207 200)	-	-	967 170
Taxiways	3 499 914	-	-	791 211	4 291 125	(737 019)	(174 545)	-	-	(911 564)	-	-	3 379 561
	367 880 735	5 355 002	-	38 728 282	411 964 019	(73 767 374)	(22 475 595)	-	-	(96 242 968)	-	-	315 721 050
Community Assets													
Clinics and hospitals	3 150 766	-	-	2 644 254	5 795 020	(931 432)	(105 025)	-	-	(1 036 457)	-	-	4 758 563
Community centres Fire stations	15 245 649	-	-	-	15 245 649	(4 089 025)	(508 188)	-	-	(4 597 213)	-	-	10 648 436
Fire Stations	3 606 333	-	-	-	3 606 333	(768 023)	(120 211)	-	-	(888 234)	-	-	2 718 099
Libraries	1 498 065	-	-	-	1 498 065	(365 357)	(49 935)	-	-	(415 292)	-	-	1 082 773
Office buildings	32 085 606	-	-	-	32 085 606	(7 311 953)	(5 409)	-	-	(7 317 362)	-	-	24 768 244
Outdoor sports facilities	321 676	-	-	-	321 676	(96 503)	(16 084)	-	-	(112 587)	-	-	209 089
Parks	1 115 000	-	-	-	1 115 000	(334 500)	-	-	-	(334 500)	-	-	780 500
Public conveniences/ Bathrooms	56 000	-	-	-	56 000	(16 800)	(1 867)	-	-	(18 667)	-	-	37 333
Stadiums	9 874 847	-	-	73 811 948	83 686 795	(2 082 779)	(243 040)	-	-	(2 325 819)	-	-	81 360 976
Swimming pools	2 752 667	-	-	-	2 752 667	(793 959)	(91 756)	-	-	(885 715)	-	-	1 866 952
	69 706 609	-	-	76 456 202	146 162 811	(16 790 331)	(1 141 515)	-	-	(17 931 846)	-	-	128 230 965
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	514 962 657	5 355 002	-	115 184 484	635 502 143	(98 225 262)	(24 998 916)	-	-	(123 224 178)	(7 757 103)	-	504 520 862

King Sabata Dalindyebo Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	514 962 657	5 355 002	-	115 184 484	635 502 143	(98 225 262)	(24 998 916)	-	-	(123 224 178)	(7 757 103)	-	504 520 862
Other Assets													
Air conditioners	214 516	28 899	(136 904)	-	106 511	(214 180)	(2 377)	136 649	-	(79 908)	-	-	26 603
Computer hardware	3 942 812	274 517	(3 118 659)	-	1 098 670	(3 075 108)	(121 754)	2 522 264	-	(674 598)	-	-	424 072
Computer software	396 636	13 029	(396 636)	-	13 029	(396 494)	(441)	396 494	-	(441)	-	-	12 588
Equipment: ambulance and med	215 482	-	-	-	215 482	(194 521)	-	-	-	(194 521)	-	-	20 961
Equipment: fire	56 299	-	-	-	56 299	(56 238)	-	-	-	(56 238)	-	-	61
Equipment: Laboratories	30 720	-	-	-	30 720	(30 706)	-	-	-	(30 706)	-	-	14
Equipment : Lawnmowers	476 878	-	-	-	476 878	(476 732)	-	-	-	(476 732)	-	-	146
Equipment: Other	2 259 668	44 811	(2 618 521)	-	(314 042)	(1 987 801)	(114 352)	2 449 968	-	347 815	-	-	33 773
Equipment : radio	55 092	-	-	-	55 092	(55 051)	-	-	-	(55 051)	-	-	41
Equipment: telecommunications	153 459	-	-	-	153 459	(153 354)	-	-	-	(153 354)	-	-	105
Furniture: cabinets and cupboard	810 044	63 033	(540 713)	-	332 364	(797 262)	(31 431)	528 478	-	(300 215)	-	-	32 149
Furniture: chairs	804 806	21 006	(575 882)	-	249 930	(801 165)	-	573 562	-	(227 603)	-	-	22 327
Furniture: other	378 640	3 150	(368 950)	-	12 840	(241 365)	(488)	231 698	-	(10 155)	-	-	2 685
Furniture: tables and desks	863 080	93 775	(567 510)	-	389 345	(853 038)	-	557 763	-	(295 275)	-	-	94 070
Household refuse bins	220 752	-	(122 164)	-	98 588	(127 391)	(19 621)	71 321	-	(75 691)	-	-	22 897
Office machines	384 129	25 921	(336 746)	-	73 304	(355 357)	(4 473)	308 003	-	(51 827)	-	-	21 477
Tip sites	900 207	-	(28 546)	-	871 661	(226 183)	-	7 057	-	(219 126)	-	-	652 535
Vehicles: fire	2 625 451	-	-	-	2 625 451	(813 107)	(160 457)	-	-	(973 564)	-	-	1 651 887
Vehicles: graders	362 520	-	-	-	362 520	(277 932)	(36 252)	-	-	(314 184)	-	-	48 336
Vehicles: lawnmowers	297 840	-	-	-	297 840	(164 831)	(59 567)	-	-	(224 398)	-	-	73 442
Vehicles: motorcars	1 269 050	-	(36 500)	-	1 232 550	(990 446)	(167 540)	36 496	-	(1 121 490)	-	-	111 060
Vehicles: plant	444 400	-	(93 400)	-	351 000	(444 382)	-	93 387	-	(350 995)	-	-	5
Vehicles: tractors	169 000	-	-	-	169 000	(136 161)	-	-	-	(136 161)	-	-	32 839
Vehicles: trucks and bakkies	9 662 998	231 338	(301 850)	-	9 592 486	(9 172 723)	(294 046)	293 582	-	(9 173 187)	-	-	419 299
Other	439 359	-	-	-	439 359	(168 652)	-	-	-	(168 652)	-	-	270 707
	27 433 838	799 481	(9 242 981)	-	18 990 338	(22 210 180)	(1 012 799)	8 206 722	-	(15 016 257)	-	-	3 974 081
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	560 950	-	-	560 950	-	-	-	-	-	-	-	560 950
	-	560 950	-	-	560 950	-	-	-	-	-	-	-	560 950
Total	542 396 495	6 715 433	(9 242 981)	115 184 484	655 053 431	(120 435 442)	(26 011 715)	8 206 722	-	(138 240 435)	(7 757 103)	-	509 055 893

King Sabata Dalindyebo Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	740 034	-	-		740 034	118 020			118 020	622 014
Finance & Admin	862 228	1 259 971	-	(56 002)	2 066 197	603 705	(649 276)	55 923	10 352	2 055 845
Planning & Development	76 683 499		121 297 190		197 980 689	57 909			57 909	197 922 780
Community & Social Services	161 325	401 135	-		562 460	150 103	(833 779)		(683 676)	1 246 136
Public Safety	31 737		-		31 737	31 658			31 658	79
Corporate Services	426 834		-		426 834	316 025			316 025	110 809
Infrastructure	481 227 844	18 903 465	3 437 109		503 568 418	117 167 452	(13 803 789)		103 363 663	400 204 754
Other	94 919 930	-	-		94 919 930	19 795 563			19 795 563	75 124 367
Total	655 053 431	20 564 571	124 734 299	(56 002)	800 296 299	138 240 435	(15 286 844)	55 923	123 009 515	677 286 784

King Sabata Dalindyebo Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009	2009	2009		2010	2010	2010
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
1 535 500	25 715 466	(24 179 966)	Executive & Council	1 500 000	(32 491 040)	(30 991 040)
156 318 280	6 891 633	149 426 647	Finance & Admin	248 981 412	(123 242 035)	125 739 376
1 850 400	11 886 912	(10 036 512)	Planning & Development	25 408 259	(13 378 129)	12 030 130
13 110 501	22 980 561	(9 870 060)	Health	11 716 795	(18 459 899)	(6 743 103)
557 428	13 796 071	(13 238 643)	Community & Social Services	603 709	(13 965 797)	(13 362 088)
30 140 100	17 796 766	12 343 334	Housing	-	1 021 126	1 021 126
12 121 345	47 538 901	(35 417 556)	Public Safety	18 004 885	(50 834 905)	(32 830 019)
73 811 948	73 811 948	-	Sport & Recreation	117 138 994	-	117 138 994
17 629 474	34 308 832	(16 679 358)	Waste Management	17 639 126	(37 311 882)	(19 672 756)
38 091 371	41 092 006	(3 000 635)	Road Transport	35 488 788	(21 759 448)	13 729 340
-	-	-	Water	-	-	-
101 435 374	56 606 806	44 828 568	Electricity	154 807 605	(94 355 672)	60 451 933
-	-	-	Other	2 187 618	(6 933 624)	-
446 601 721	352 425 902	94 175 819		633 477 193	(411 711 305)	226 511 893
			Less: Inter-Department Charges			
446 601 721	352 425 902	94 175 819	Total	633 477 193	(411 711 305)	226 511 893

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	117 216 295	#REF!	#REF!	#REF!	New Property Valuation, actual exceeded estimate
Service charges	170 480 353	#REF!	#REF!	#REF!	Refuse removal and Electricity
Rental of facilities and equipment	10 924 103	#REF!	#REF!	#REF!	
Interest earned – external investments	2 366 648	#REF!	#REF!	#REF!	Interest included in unspent conditional grants
Interest earned – outstanding debtors	23 382 824	#REF!	#REF!	#REF!	Major portion interest on household debt
Fines	1 806 240	#REF!	#REF!	#REF!	
Licensing & permits	11 913 647	#REF!	#REF!	#REF!	Increase in rates on licencing fees
Government grants & subsidies	122 175 595	#REF!	#REF!	#REF!	Operational grants
Government grants & subsidies – capital	167 355 870	-	167 355 870		- Capital grant spent - Major Stadium and MIG
Other revenue	5 855 617	#REF!	#REF!	#REF!	Expected VAT refund from SARS, VAT Audit process completed after year end
Total Revenue	633 477 193	#REF!	#REF!	#REF!	
EXPENDITURE					
Employee related costs	180 635 962	188 332 070	-7 696 108	-4	
Remuneration of councillors	15 825 035	14 347 557	1 477 478	10	
Bad debts	12 980 890	30 659 455	-17 678 565	-58	Provision for indigent debtors raised
Billing adjustments	8 897 139	-	8 897 139	100	Correction of billing errors
Depreciation	15 286 844	26 000 000	-10 713 156	-41	
Repairs & maintenance	8 421 985	#REF!	#REF!	#REF!	
Finance costs	5 087 624	8 063 000	-2 975 376	-37	PIC and DBSA loans
Bulk purchases	72 031 115	79 962 695	-7 931 580	-10	Check one month
Grants & subsidies paid	18 727 246	9 291 848	9 435 398	50	Grant exp included as general exp in budget
Contracted services	2 860 055	2 583 743	276 312	11	
General expenses	70 957 409	#REF!	#REF!	#REF!	Grant exp included as general exp in budget
Loss/(Gain) on disposal of assets	-254 395	-500 000	245 605		
Total Expenditure	411 456 910	#REF!	#REF!	#REF!	
NET SURPLUS/(DEFICIT) FOR THE YEAR	222 020 282	#REF!	#REF!		

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANT	DONOR	Brought Forward	Quarterly Receipts R'000					Quarterly Expenditure R'000				
			Sep.	Dec.	March	June	Total	Sep.	Dec.	March	June	Total
Equitable Share	DPLG	-	41 864 351	29 708 121	25 118 610		96 691 082	40 746 055	8 734 893	24 704 219	22 505 915	96 691 082
FMG	NT	549 590	750 000		500 000		1 799 590	50 485	5 415	112 621	770 615	939 135
2010 Stadium	DSRAC	21 281 583	120 000 000				141 281 583	13 868 428	28 664 608	27 091 128	46 939 622	116 563 787
NER	NER	1 638 784	16 000 000				17 638 784	867 012	-	-	169 040	1 036 052
Fleet Management	Prov. Treasu	4 200 000					4 200 000	-	-	-	-	-
Urban Renewal	NT		1 000 000				1 000 000	163 616	198 848	89 450	199 552	651 467
NDPG	NT	13 881 659		3 450 000	20 000 000		37 331 659	4 032 665	9 089 442	1 543 141	4 797 103	19 462 351
Human Capital	Prov. Treasury		1 500 000				1 500 000	-	773 587	705 855	11 138	1 490 579
Cleaning	DEAT	924 399					924 399	200 015	-	10 758	92 951	303 724
Fire Station Refurbishment	Prov. Trea	2 600 000		770 291			3 370 291	81 946		10 896	15 998	108 840
DOT Taxi Rank	DOT	8 308 789					8 308 789	-	-	-	-	-
LED - Nduli Nature Reserve	DEAT	453 829					453 829	-	2 791	-	349 695	352 486
LED - Comm. Partnership	DPLG	384 692					384 692				390 934	390 934
IDP Grant	DPLG			110 000			110 000	104 925	168 033	-	-	272 957
Primary Health Care	DOH		2 753 732	-	6 608 956	2 753 732	12 116 420	3 367 554	3 278 061	3 467 508	3 672 757	13 785 880
General Valuation	DPLG						-	-	-	-	-	-
Municipal Support Program	NT	3 304 505					3 304 505	262 675	-	-	-	262 675
YAC	Umsobom		19 857		15 935		35 793	86 058	58 825	194 140	42 560	381 583
Disaster	DPLG	3 862 650				112 500	3 975 150	1 701	225 838	74 287	18 588	320 414
HIV Aids	DPLG	60 000					60 000	-	-	-	45 160	45 160
MIG Grants	DPLG	2 604 096	2 763 931	4 878 850	3 719 447	18 062 000	32 028 323	9 206 753	5 528 488	3 957 485	6 851 482	25 544 209
Zimbabwe Housing		465 672	729 318	2 200 107	497 742	1 487 750	5 380 590	1 164 590	2 010 129	658 401	1 507 150	5 340 269
Zimbabwe Valley Payment Plan		3 335 528		2 886 265			6 221 793	1 879 081		3 758 162		5 637 243
Ilitha Housing		1 913 245	1 500 000	396 956	-	545 799	4 356 000	801 232	2 019 376	518 814	584 116	3 923 538
Kuyasa Housing		451 303	495	-	-	404 500	856 298	-	300 000	100 000	-	400 000
Maydene Call a/c		970 216	746 078	-	-	749 132	2 465 425	-	-	-	1 014 983	1 014 983
Waterfall Phase IV		92 283	-	-	-	70 000	162 283	-	-	70 000	-	70 000
Kuyasa Housing Project		5 348	500	-	-	-	5 848	-	-	-	-	-
Kuyasa Housing Project		451 303				404 500	855 803		300 000	100 000		400 000
Nqgwala Rural Housing		349 116					349 116	-	-	-	-	-
Khugxwala Rural Housing		203 390					203 390	-	-	-	-	-
Mabeleni Rural Housing		222 008					222 008	-	-	-	-	-
Qunu Rural Housing		486 914					486 914	-	-	-	-	-
Mqanduli Middle Income Housing		333 652					333 652	-	-	-	-	-
Khuphukani				1 740 000			1 740 000	-	-	-	-	-
Light the Pilot				1 000 000			1 000 000	-	-	-	375 774	375 774
Mqanduli Milling Project		843 895					843 895	-	-	-	-	-
							-					-
		74 178 450	186 651 871	38 917 262	55 962 948	20 928 232	366 514 888	76 884 790	61 358 335	67 166 865	89 979 357	294 989 347

4.2 Budget to actual comparison

Details of the Budget to actual comparison are set out in Appendix E (1) to the Annual Financial Statements.

4.3 Grants and transfers' spending

Details of Grant spending are disclosed in the notes to the Annual Financial Statements. (Appendix F)

4.4 Meeting of Donors' requirements for conditional grants

Details of conditional grants are disclosed in note 22 to the Annual Financial Statements. The balance of the unspent funds is disclosed as liabilities.

4.5 Municipality Long term contracts

The municipality has entered into the following long term borrowings:

- PIC loan of R47.4 million redeemable in full on 31 December 2018.
- DBSA Loan of R5.5 million redeemable in full on the 31st March 2018.
- DBSA Loan of R2.9 million redeemable in full on the 31st December 2018.
- MEEG Bank motor-vehicle finance loan of R429 884 redeemable within 5 years.

The PIC loan was renegotiated after it was not serviced in the past. Long terms contracts with service providers are mainly for bulk purchases for electricity and communication networks (Eskom and Telkom). Contracts with most of the service providers range from one year to five years.

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	211 292	145 394	69 % of the budget and 30 % of the operating budget
		Target set for the year (35%) R(000) 45%	Achievement level during the year R(000)	Achievement percentage during the year vs. the operational budget
2	Salary budget as a percentage of	202 680 42 % of	196 461	47 % of the operating

	the total operational budget	the operational expenditure		budget
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs. the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue		42 359	42 359/ R343 946 12%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	327 751 54 %	343 946 69 %	69 % of the total revenue Budget exceeded with 5 %

4.7 The Auditor general reports

The Auditor-General's Report is attached as an Annexure to this report. Hard work will be done in order to reverse the audit outcomes in the coming New Year. In this regard we regard the AG as an important partner and therefore, endeavour to improve communication and working relationships. KSD also recruited two mature individuals in General Management positions, subsequent to the year end. The effects of their expertise and experience are expected to be harnessed in the New Year. A Full response to the audit qualifications is attached as Annexure to this report.

4.8 Situation of arrears in property rates and service charges

The total debtors' book is at R165.2 million net of provision for doubtful debts. The detailed ageing profile by category of debtor is disclosed in note 2 to the Annual financial statements.

Chapter 5: Good Governance and Public Participation –KPA 5

5.1 Public participation and consultation

a. Community involvement

KSD Municipality is involving its communities when prepares its IDP; it uses CDW's, Ward Councillors and committees, print media and local radio stations to communicate with them. However, the lack of documented strategy/ plan is envisaged as one of the challenges leading to poor attendance.

Ward participation yield better results than the Global meetings. All 32 wards are consulted through ward to ward IDP/Budget meetings. There is no negative feedback from communities which shows commitment from the citizens. Wards are visited to identify community needs, but the issue of resources is hindering development. Ward based planning demonstrates the commitment of Municipality in addressing the needs requested by the community.

b. Participation of business sectors and Traditional Authorities

The Municipality has hosted several IDP Ibises with Traditional Leaders and Business sector. There is also a good relationship with NAFCOC and other business sectors.

There is interaction with Traditional Leaders and there is a way forward that has been chartered to ensure formal dialogue and effective communication takes place. The proposal is to be tabled with Council for approval.

c. Functional Audit Committee

There is an Audit Committee but it did not operate during the reporting period as envisaged.

d. HIV/AIDS and people with Disabilities

KSD Municipality demonstrated its commitment in fighting HIV/AIDS by establishing Local Aids Council which participates on the District Aids Council. The Local Aids Council represents in Council people affected and infected by HIV/AIDS.

A Wellness desk and Ward Aids based forum are in place. A Strategy has been approved by Council- to deal with people with HIV/AIDS and disabilities

e. Women and youth development, elderly and children

A Youth Council is in place and providing the necessary Advise to the youth.

The Strategy on women is still in a draft format; however, programmes take place in an ad hoc manner.

Currently, there is no statistical information which shows that Gender equity is promoted. The programmes for elderly persons, children, disabled, youth, women & ex-combatants policies were are put in place by June 2010.

5.3 Ward committees' establishment and functionality

Ward Committees are established in all the wards in the KSDM, and are functioning fairly well. Monthly reports indicating the sittings of the ward committees and matters discussed and resolved are submitted to the office of the Speaker for processing.

Ward committees are an integral part that is driving the Integrated Development Planning and the implementation of the government's projects.

The work and support of the Ward Committees is located in the office of the Speaker.

5.4 Community Development workers performance monitoring

The provincial government recruited 28 Community Development Workers (CDWs) to work in the KSDM. The CDWs are housed and operate in the office of the Speaker. A CDWs co-ordinator was appointed to serve as their administrative officer.

All CDWs work with the ward councillors, and assist in the service delivery programs, interact with the government departments, public entities and other relevant bodies that serve communities. They report on a monthly to the Provincial Office and further give reports to the ward councillors and the office of the Speaker. Once every month the office of the Speaker is invited to participate in what are called “**round table discussions.**”

5.5 Communication strategy

Management intended to adopt a strategy during the year under review. This did not materialise.

5.6 Anti corruption strategy

An Anti Corruption Strategy was adopted during the year. More importantly Management has been at the fore front of at rooting out Fraud and Corruption. A number of officials were either suspended or arrested for such activities. In addition there were also dismissals.

5.7 Intergovernmental Relations

The idea of the IGR is to promote and facilitate co-operative operations across all the different levels of government towards ensuring service delivery. The Constitution also recognised that these levels of government cannot work independently of each other. However this ideal still remain allusive as the upper spheres are difficult to be made to participate except through a string of unfulfilled promises. IGR forum meetings are hard to be held; few attempts were made by Department of Housing and Local Government and Traditional Affairs but later stopped. The District also attempted to hold some meetings.

5.8 Legal matters

The legal unit has been established and currently has two officials. Legal claims once received and assessed are referred to the external firms of attorneys under instruction letter for defence and /or legal advice, where applicable.

The following firms of attorneys were used on a rotational basis during the year under review:

MNQANDI INCORPORATED
SMITH TABATA ATTORNEYS
X.M. PETSE INCORPORATED
C.B. NGUZA & ASSOCIATES
M. DALASILE & ASSOCIATES
MVUZO NOTYESI INC
VAUGHAN HOLMES ATTORNEY
N. S. NOMBAMBELA ATTORNEYS
KEIGHTLY ATTORNEYS
JOLWANA MGIDLANA INC
W.T. MNQANDI & ASS.
R.M Mayekiso attorneys

Management of litigation

1. Case Load Management with specific reference to:

a. Favourable cases

Case name	Recovery (yes/No)	Reasons for non recovery
E. P. Mamba (land claim)	No	Lodged an appeal against decision
Nontuthuzelo Sipunzi (split meter)	No	Bill taxed – lodged an appeal
No Italy Mtirara	No	Attempting to attach goods
African Bulk Earthworks (first phase)	No	Taxing the bill – planning to set off
M.C. Manana	No	On appeal
B.F. Mbebe	No	Tracing Mr Mbebe
Dlusha N	No	Bill being taxed
N. Puza	No	Bill being taxed
N. Futshane	No	Bill being taxed
F. Mbalane	No	Bill being taxed
V. Dlova	No	Bill being taxed
Erf 15281 Illegal scrap yard	No	On appeal
4 Cases Illegal connection – Nyobole	No	Bill being taxed

b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement
Mashalaba Mthonyama	Yes	N/A

2. Case age analysis

Case name	Nature of the case	Date of commencement	Cases beyond 2 years	Reasons for extensive duration
African Bulk Earthworks	Claim of Damages	April 2007	Yes	Municipality disputing claim
Tozama Zifo	Claim child run over Municipal tip truck but survived	April 2007	Yes	Municipality disputing the claim amount
Maxprof	Claim for Vat verification			Municipality disputing claim
Matsiliso Mgqweto	Collection of outstanding rates	February 2008		Matter being disputed in Court
Eviction of illegal occupants at Stanford Terrace	Eviction	08 October 2009		Pending in Court
Lindile Siyengo	Claim for Overtime	8 July 2009		Pending
1.Wabizwa Trading	Service providers	19 October 2009		Pending

2.MBTO Trading 3.True Motives 4.Chumaans i Construction	claim for their services rendered			
Phumza Senti	Claim for damages	10 July 2009		Pending
Zolile Elias Sapheni	Claim for damages	10 July 2009		Pending
Notiti Henge	Eviction	04 July 2009		Pending
Mpumalanga Construction	Claim for services rendered	17 September 2009		Pending
S & F Electrical cc	Claim for services	11 July 2009		Pending
N Nqwazi		1 July 2009		
Monde Bodlani	Vehicle towing	2008	Yes	Hearing was on the 29 April 2010
Ntumang Trading Enterprise (mamela motors)	Recover misappropriated funds on vending machine	March 2010		

Prevention mechanisms of current litigation:

The following was embarked upon by the Legal services Division in order to prevent litigation:

- Ensure compliance with court orders
- Ensure that departments implement and monitor the resulting action plans as part of integrated governance requirements and to prevent each act from happening.
- Negotiate claims/settlement as circumstances allow by communicating directly with the claimant or his/her legal representative after the Municipal manager's authorisation.
- Make recommendations to Municipal manager via the Director Corporate services to settle potential claims.

Management of Legal Risks

A draft policy on litigation policy and procedure manual is being circulated for comments

Part 3: Functional area reporting and Annexure

A. Functional areas service delivery reporting

1. Finance and Administration function's performance

KPA	Objective	KPI	Target	Actual Performance	Comments on actual progress
Asset Management	All municipal assets are recorded, maintained and used for rendering municipal services	<ul style="list-style-type: none">Maintain a complete and accurate record of municipal property, plant and equipment	<ul style="list-style-type: none">July 2009	<ul style="list-style-type: none">90%	<ul style="list-style-type: none">Staff trained on the IT system - Asset module – December 2009Action plan on addressing audit outcomes (2008/9) completedDepartmental asset managers meetings started during Jan 09Monthly update of acquisitions doneGRAP training to be attended in MayAll vehicles are parked at the stores area

KPA	Objective	KPI	Target	Actual Performance	Comments on actual progress
			<ul style="list-style-type: none"> Dec 2009 Dec 2009 March 2010 Dec 09 	<ul style="list-style-type: none"> 0% 10% 	<p>overnight, except for Electricity section vehicles</p> <ul style="list-style-type: none"> The full maintenance lease tender is finalised. The service provider is engaged. A preliminary assessment of the current fleet was performed on 12 April 2010. Expected new fleet to arrive in from August to September. Housekeeping issues raised and cleared in preparation for the new fleet as well as effective maintenance of current fleet. Contract agreement finalised Asset management

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<ul style="list-style-type: none"> Centralise Plant and Fleet Manage operations of the Full Maintenance Lease Optimise usage of PPE for services and revenue generation Implementation of approved Plant and Fleet management policy Approved asset management policy 				<p>committee (represented by officials per department) has been established, as finance are not users of most assets but only custodians.</p> <ul style="list-style-type: none"> Asset management policy completed and workshop conducted in March 2010 Approved in April 2010
Revenue Management	All revenue for rates and services is billed and	<ul style="list-style-type: none"> The debtors master file is updated and agrees to the new Valuation Roll due for 	<ul style="list-style-type: none"> 1 July 2009 	<ul style="list-style-type: none"> 95% 	<ul style="list-style-type: none"> Done. Second reconciliation to be done 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
	the collection rate increased to 100%	<ul style="list-style-type: none"> implementation on 1 July 2009 Property rates are levied and billed in terms of the MPRA All Electricity revenue is billed – prepaid and conventional All Services are billed accurately The Debt collection and credit control policies are 	<ul style="list-style-type: none"> 1 July 2009 Monthly Monthly 	<ul style="list-style-type: none"> 100% 75 % 	<ul style="list-style-type: none"> Done Status of meter audit pending from electricity section. Meter readings are done on a monthly basis Billing for refuse also linked to property in valuation roll 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		implemented and the collection rate maximised to 100%		<ul style="list-style-type: none"> 75 % 		<ul style="list-style-type: none"> Done. Second data cleanup will assist with the completeness Efforts on the collection of household debt yielded a cash inflow of R14 million
Expenditure management	Manage and control expenditure and monitor against Budget and payments are processed efficiently	<ul style="list-style-type: none"> All expenditure is within budget 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> 100% 		<ul style="list-style-type: none"> To ensure all expenditure is within budget, the budget is checked before an order is approved Budget virements are still prevalent. A virement policy needs to be adopted. Verification on whether there was a policy before or not, confirmed that there was none. The draft policy needs to be finalised. A consulting firm was appointed in terms of assessing our audit report and management report and to make recommendations. A

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<ul style="list-style-type: none"> Budget virements are minimised – 5% of the budget 	<ul style="list-style-type: none"> Dec 09 	<ul style="list-style-type: none"> 10% 	<p>comprehensive Financial Management implementation plan tool consisting of procedures was prepared.</p> <ul style="list-style-type: none"> Bank details updated. It should be linked to the supplier database Most payments are made via EFT. Interface with the current system at an advanced stage Backlogs minimised. Problems experienced where departments do not follow procedure, i.e. no order in place. Interns have been appointed to assist with the process. 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<ul style="list-style-type: none"> Systems and control procedures are updated The Creditors Master file is updated and maintained with correct supplier details EFT system is introduced and cheques eliminated Payments are made 30 days after the order is approved 	<ul style="list-style-type: none"> Sep 09 July 09 Jul 09 	<ul style="list-style-type: none"> 80% 80% 60 % 100% 		

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
Supply Chain Management	Improve functioning of the supply chain management unit	<ul style="list-style-type: none"> Revise the supply chain management policy and incorporate local economic development 	<ul style="list-style-type: none"> Ongoing Sept 09 	<ul style="list-style-type: none"> 30% 	<ul style="list-style-type: none"> Draft policy in place Copies of the current supply chain policy circulated. Inputs from the various heads and the finance standing committees are expected by 18 Nov 09. Input received only from Corporate services Advertisement for registration was placed on the media. There was an overwhelming response. Due to staff shortages, the supply chain unit struggles to keep up with the applications. 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<ul style="list-style-type: none"> Establish a supplier database 	<ul style="list-style-type: none"> Aug 09 	<ul style="list-style-type: none"> 50% 	<ul style="list-style-type: none"> A supply chain revival workshop is organised in conjunction with corporate services. Training will take place on 10 August 2010. The integrity of the suppliers still needs to be verified against CIPRO. A monitoring IT systems needs to be implemented to ensure the effectiveness of the database Major challenge in staff shortages in the supply chain department. A motivation will be sent to corporate service for a fully fledged section to be in place. Supply chain unit advertisement scheduled to be out from 16 Nov 09 Opposition from unions delaying the short listing of candidates Request for re-advertisement sent to Corporate Services on 2 July 2010. No action yet. 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<ul style="list-style-type: none"> Training provided to supply chain unit and departments Draft supply chain management procedures for implementation 	<ul style="list-style-type: none"> Dec 09 	<ul style="list-style-type: none"> 50 % 		

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
			<ul style="list-style-type: none"> Sept 09 	<ul style="list-style-type: none"> 100 % 		
Accounting and Reporting	Report performance against budget and manage cash flows	<ul style="list-style-type: none"> The General Ledger is reconciled monthly The cash book is reconciled monthly Section 71 and 72 reports are accurate and submitted 10 working days after month end Annual Financial 	<ul style="list-style-type: none"> Monthly Monthly Monthly August 09 	<ul style="list-style-type: none"> 10% 70% 50% 	<ul style="list-style-type: none"> A major challenge is staff shortages in the accounting section. Cash book is reconciled monthly although not on time yet S71 reports are prepared. The focus now should be a comprehensive review and understanding by S57 managers. AFS Submitted on 31 August 2009. Budget timetable prepared Done in January 2010 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		<p>Statements are ready for audit on 30 July 2009</p> <ul style="list-style-type: none"> The Budget process is started in September 2009 Contribution to the Annual Report is complete by September 2009 Training attended on GRAP updates and the MFMA Financial management policies Long term Debt 	<ul style="list-style-type: none"> Mar 09 Mar 2010 		<ul style="list-style-type: none"> Scheduled training in Feb 2010 and May 2010 Outstanding Payments up to date Dedicated person allocated to the administration of grants and reporting 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
		instalments are paid on time <ul style="list-style-type: none"> Proactive reporting and management of Grants and Subsidies received 	<ul style="list-style-type: none"> Jan 2010 Mar 2010 			
			<ul style="list-style-type: none"> Jun 2010 			
			<ul style="list-style-type: none"> Monthly 			
Free Basic Services	Provide Free Basic Services to Indigent	<ul style="list-style-type: none"> Establish a FBS unit and compile terms of reference Engage a service provider to provide 	Sept 09	<ul style="list-style-type: none"> 10% 	<ul style="list-style-type: none"> Motivation to corporate services to assist in advertising for posts.(Not on current structure and budget) The indigent register is used to supply free basic electricity to registered applicants. The 	

KPA	Objective	KPI	Target		Actual Performance	Comments on actual progress
	Consumers	free basic services <ul style="list-style-type: none"> Implement all approved policies relating to the provision of FBE to indigent consumers 			same list is supplied to all Eskom for KSD residents supplied by Eskom <ul style="list-style-type: none"> Advert for provision of paraffin sent out in April. Process should be finalised in May 2010. Due to an incomplete submission from wards on who is eligible for paraffin/not the process was halted and the estimate for the service provider could not be given. The process will resume again in August 2010. 	

2. Corporate Services Function's Performance

Planned performance	KPI's	Actual performance	Challenges/ Reasons for non/ poor performance and measures
Policy review, formulation and implementation	Existing HR Management Policy Manual reviewed and adopted	Policy reviewed, but never approved	Policies pending Council approval for implementation. Several attempts made for policies to be endorsed by the council, with no success. To be re-submitted for approval during this quarter.
	HIV Policy approved	Policy formulated, but never approved	

	Occupational Health and safety policy approved	Policy formulated, but never approved	
	Sexual harassment policy approved	Policy formulated, but never approved	
	Training and development policy approved	Policy formulated, but never approved	
	EAP Policy approved	Policy formulated, but never approved	
	Access to information policy approved	Policy formulated, but never approved	

	Litigation policy approved	Policy formulated, but never approved	
	ICT Policy approved	Policy formulated, but never approved	
	EE Policy approved	Policy formulated, but never approved	
	Registry manual approved	Policy formulated, but never approved	

Improvement of KSD document management system	<p>Consultation and workshop on policies</p> <p>Launch of central records management system</p>	Policies pending approval	
Training and development	Implement skills interventions for councillors and officials in line with WSP	26 training interventions for the period and 334 beneficiaries, who are both councillors and officials	None

Institutional transformation and integration	Develop and ensure approval of organogram	Achieved	Policies pending Council approval for implementation. Several attempts made for policies to be endorsed by the council, with no success. To be re-submitted for approval during this quarter.
	Placement of staff in the new organogram	Pending due to placement policy not yet approved	
Enhancement of accountability, monitoring and evaluation	Review and implement KSD performance management system for S57 and contractual employees	Pending for S57 Managers and Municipal Manager	Work In process

3. Planning and development function's performance

KPA	OBJECTIVE	KPI	Target	Actual Performance	Comments on actual progress
Initiation and implementation of Agricultural projects focusing in crop farming	Contribute to Agricultural initiatives within the KSD jurisdiction	Partnership statement with DoA, AsgiSA-EC and KSDM	June 2010	60 %	On a meeting held on the 15 September 2009 it was agreed that there should be a MOU signed between the three partners, namely: KSD municipality, Dept of Agriculture and AsgiSA-EC. Draft MOU has been completed. Meeting meant to discuss its content has been rescheduled for a date to be announced. Terms of reference for commissioning of service provider to develop a business plan have been submitted to AsgiSA-EC.

Revitalisation and operation of Mqanduli Milling Plant	Development of Agro-processing initiatives.	Development of a business plan	Mar 2010	80 %	The municipality together with DoA is currently drafting Terms of Reference for the proposals to be requested from service providers to develop a Business and operational plan and market research. Construction of 500 ton silo will commence in January 2010. The company will employ locally based unskilled labour and CLO.
Implementation of EU funded project on Waste Recycling and Municipal Community Partnership	Showcasing of KSDM for investment purposes and tourism development	Appointment of a Service Provider to conduct the study on waste recycling and MCP(PPP)	Dec 2009	90 %	The service provider is on site and PAC in place. The projects are operating well.
Qunu Integrated Energy centre	Provision of affordable energy resources to communities	Construction and operation of Energy centre at Qunu	June 2010	10 %	DME in collaboration with Sasol Oil, OR Tambo and KSDM has

(IEC)					<p>initiated to build an energy centre in Qunu which will provide all types of fuels in 19 villages. The centre as per DME requirements will be run by a cooperative with the assistance of the DME, KSD and OR Tambo for the first year then the Coop will operate on its own thereafter. SASOL will supply the first stock to start-up.</p> <p>So far the site has been identified, EIA has been conducted.</p> <p>Because a piece of the site identified and agreed upon belongs to the Department of Health, DME and Ntinga OR Tambo had to consult with the department to seek an agreement to use that</p>
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					<p>portion. On a meeting held on the 28-09-2009 it transpired that the department was never properly consulted or there has been some breakdown in communication within the department. The senior management did not have an understanding of the whole project especially with regard to the piece of land and as a result they objected to the initial request to utilise the land. The department cited the fact that the land in question has sceptic tanks of the clinic and that the 4000m² requested for the project would take almost half of the clinic land. After the meeting held on 28 October 2009, it was agreed</p>
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					<p>that the process of re-consultation with stakeholders, namely: the King, DoH District level and dept of Education should be reconvened to put all in a clear picture of what is expected from the project. It was also agreed in principle that the project will not be stopped by these technicalities, but consensus should be reached on all issues pertaining to the project. A Task team has since been set up. The team is made up the Municipality, DME and Ntinga.</p> <p>Construction of the centre will commence in mid January for February. Drawings for the centre have been completed. The delay</p>
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					was caused by the department of health which was objecting to the development but that has since been resolved although a no objection letter is not yet submitted to Department of Energy and SASOL
SMME and Cooperative Development	Develop policy that will guide development of the small business sector. Capacity building of SMMEs through training, registration and funding advice.	Establishment of KSD Local Cooperative Forum and Development of SMME Strategy	June 2010	70 %	The department is currently in the process of developing terms of reference for commissioning service provider to develop the strategy.
SMME development	Assessment and data gathering for LED projects and SMME's	Consultation with project beneficiaries	June 2010	10 %	Consultation is underway
LED Strategy review and sector plan Development	Develop LED Strategy that is aligned to the municipality's IDP and 2030 vision, Development of sector	Establishment of KSD business cluster , Stakeholder engagement Development of sector	June 2010	40%	Service provider which will assist the Municipality has appointed and has started with the

	plan.	plans as an outcome of the LED strategy review			consultation phase
Community projects	To procure funded projects. Submission of procurement reports to the DEDEA	Two projects have been funded namely: - Light the pilot for film production, it has been funded by an amount of R1,7m located at Ward 06. Khuphukani Cluster project (disabled group) it has been funded by an amount of R1m located at Ward 04	Before end of 2009/10 financial year	40 %	Projects are funded by DEDEA for 09/10 financial year. Briefing sessions done between DEDEA officials and PSED Directorate. Service Level Agreement signed by the Acting M.M. and submitted to DEDEA.
Tourism Development and marketing	<ul style="list-style-type: none"> Develop responsible tourism in order to market and manage the tourism industry in a responsible manner, so as to create a competitive advantage. Attract more tourists to visit and big investors to invest in the area 	<ul style="list-style-type: none"> Form tourism partnerships among people involved with arts and craft business. Establish KSD Arts, Craft and Tourism Forums / Associations. Establish a KSD Tourism Sector Plan 	March 2010	40 %	Partnership was formed and the KSD Arts, Craft and Forums were established. KSD Arts Council to be launched on the 10 August 2009

	<ul style="list-style-type: none"> • Ensure that KSD is effectively marketed as a tourism destination • 	<ul style="list-style-type: none"> • Marketing and promotion • Develop a KSD Tourism website • Establish a KSD Marketing Strategy • Ensure that all KSD products are included in the Eastern Cape Tourism Board. • Develop a strong brand identity 	June 2010	60 %	<p>Website and brand identity development in progress</p> <p>KSD Tourism Responsible Sector Plan in draft form</p>
	<ul style="list-style-type: none"> • To ensure availability of tourism information on KSD and surroundings to all would be tourists as well as tourists visiting KSD area 	<ul style="list-style-type: none"> • Development of Tourism Information Centre • Facilitate accumulation and dissemination of tourism related information. 	Jan 2010	100 %	The KSD Tourism Brochure was developed. The revision of the brochure is underway
	<ul style="list-style-type: none"> • Train and empower local people 	<ul style="list-style-type: none"> • Increase the level of tourism understanding to the local people • Work closely with DSRAC, DEAT & DEDEA to assist local communities 	March 2010	100 %	Training was performed to capacitate communities involved with tourism, heritage, arts and culture.

		<p>to identify and develop their tourism potential.</p> <ul style="list-style-type: none"> • Involve local communities that are in close proximity to the tourism plant and attractions through the development of meaningful economic linkages. • Develop focused capacity-building programmes for local people. 			
	<ul style="list-style-type: none"> • Tourism awareness and environmental management 	<ul style="list-style-type: none"> • To preserve tourism and heritage sites for sustainable tourism. • To preserve tourism and heritage sites for sustainable tourism. • Advocate cleaning and greening campaigns. • Conduct sensitisation campaigns for rural communities • Advocate security of identified tourist 	Mar 2010	100 %	Cleaning campaigns were advocated within KSD area.

		and heritage sites by municipality.			
	<ul style="list-style-type: none"> • Ensure the maintenance of database (information) on all Hospitality Service Providers in KSD area. • Ensure maintenance of high service standards by Hospitality Service Providers. 	<ul style="list-style-type: none"> • Embark on awareness campaigns and briefing sessions for Hospitality Service Providers. • Development and maintenance of service provider register. • Inspection of hospitality establishments in KSD area. • Development and implementation of rating and grading system for hospitality establishment. 	Mar 2010	100%	The Data base was collected and developed for KSD Data base for information.
	<ul style="list-style-type: none"> • Create safe and secure environment for all travellers. • To promote safety of tourists thereby 	<ul style="list-style-type: none"> • Promote and drive community based tourism awareness campaign. • Facilitate 	Dec 2009	100 %	Training and awareness's were performed in participation with Eastern Cape Tourism

	promoting KSD as a choice tourist destination.	community education on tourism, Heritage, Arts and Culture.			Board.
Annual Review IDP 2010-11	To develop Ward Based Plans To revise IDP for 2009-10	Approved Ward Based Plan by Council Approved first draft IDP Review 2010-11 by Council	June 2010 Mar 2011	60 %	Community profiling Ward situational analysis Stakeholders mobilization Approval of IDP process plan by Council Publicize IDP Review process Hold at least four IDP Rep Consolidate first draft of IDP taking into consideration sector plans and MTAS
Business Licensing	To create and Maintain a record of the business activities within KSD	(A). Data base created of all businesses . 2. To supervise &	60%	On going	Capture all businesses

	Area.	Control Registration of businesses according to Act no.71 of 1991 And Municipal By-Laws 3. Physical inspections undertaken periodically.	60% 30%	On going June 2010	
	Revenue – Collection	Money collected from street vendors , market etc is deposited to the dept. of Finance on daily basis. Preparation of statistical report	On going	60%	Working hand in hand with Law enforcement and Market Executive and Street Committee's to Ensure that monies are paid on or before the 7 th each month.
	Help with the control-staff	Ensure replacement , make them aware if there are any changes	On going	70%	Ensuring that Register is signed/ those who are

					<p>on sick leave and to use to plan organise and</p> <p>prioritize daily assignments and work activities</p>
Social Development & Special Programmes	<ul style="list-style-type: none"> Establishment of partnership Between KSD municipality and Mthatha Mtshana, NGO To give support to the most disadvantage people of Mthatha Tipini 	Engagement of business sector to assists ,with a glossary, Clothing and parent wood	Dec 2009	100 %	We manager to provide clothing and glossary including parent wood through the assistance of business. An official handover goods was led by the Executive Mayor
	<p>To keep Mthatha clean</p> <p>To encourage the spirit of youth volunteerism</p>	<p>Form partnership between KSD Municipality and National youth service</p> <p>Mobilisation of young people within KSD area and development of proposal to access funding from the department of</p>	Dec 2009	100 %	Recruitment of 300 young people and engaged them for two day get paid R200 as stipend (youth development & empowerment)

		community services			
	<ul style="list-style-type: none"> Establishment of Ward Youth Forum To establish youth consultative structures for the decentralisation of information for youth development at ward level 	Visiting of ward to ward for the purposes of launch youth structures	Sep 2009	100 %	Youth structure were established
	Awareness Campaign on drug abuse	<ul style="list-style-type: none"> Partnership between KSD municipality and Dept of Social Development hosting international day Against Drug Abuse To gather all the social partners for the purpose of information sharing 	Sep 2009	100 %	NGOS, schools, political leadership and the entire community of Ngangelizwe attended the event.
	<ul style="list-style-type: none"> Partnership between KSD Municipality and Interdenominational 	Invite all government dept and commit themselves for the	Dec 2009	40 %	Commitment we made by the executive mayor, government depts and

	community (Ibandla Lasemthini) <ul style="list-style-type: none"> To mobilised street kids for the purpose of removing them from the streets by praying for them and give them parenthood 	removal of street kids from the street			NGOs that the programme of removing the street kids be an own going programme for the better of Mthatha
	Partnership between KSD and Nelson Mandela Foundation-Awareness campaign on HIV/AIDS	Conducting of workshop on HIV/Aids programme at Ngangelizwe	Oct 2009	100 %	About 150 attended the workshop at the Rotary Hall Ngangelizwe
	Launch HIV/AIDS Council	Establish and co-ordinate Local Aids Council	June 2010	100 %	Local Aids Council was launched at Coffee-Bay
	Partnership between Dept of Social Dev and KSD in hosting Older Persons golden games -To promote active ageing	Provide 36 older persons with tracksuits	Jul 2009	100 %	120 older persons were gathered at Richardson Park on the June – July 2009
	Moral Regeneration -To workshop students about self awareness	Workshopping of two schools one at Mthatha the other one at Mqanduli	Dec 2009	100 %	40 learners per school were workshopped and were give promotional material that talks about the morals and their

					self introspection
	Create a conducive environment for effective functioning for Youth Advisory Centre (YAC)	Monitor and Manage YAC programmes	Dec 2009	80 %	<p>YAC is in partnership with NYDA and assists youth I the following programmes</p> <ul style="list-style-type: none"> • Bursaries • Youth awareness campaigns • Young farmers • Unemployed youth • Open job opportunities

4. Community and social services function's performance

PERSPECTIVE 1: SERVICE DELIVERY

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
Improve access to a health services	Increase utilization of Clinics and CHC	Utilization rate	Increase head count of clients visiting the facilities	Ngangelizwe =7175 Stanford Terrace = 8464 Civic Centre =	Shortage of staff. 2 Professional nurses have resigned	Department has engaged in head hunting. 3 Professional nurses have been employed	Good quality health care
Improve child health	Increase immunization of children under 5 years	No of children between 0 and 1 year immunized	Conduct Immunization campaign of children between 0-1 years of age	1317 children immunized	Shortage of staff	Department has engaged on head hunting	Improved child health

Prevention of mother to child transmission of HIV	No of pregnant women counselled and tested	Nevirapine uptake to pregnant women	Counselling of new Anti – Natal Care clients	447 Test all Ante Natal Clients	Some are not ready to test	Ongoing counselling	Ngangelizwe. = 100% Stanford Terrace. = 94% Civic Centre = 95%
Increase Anti Retroviral Treatment role out	Increase no of clients receiving ART	No of clients on ART	ART roll out	Patients already on ARV's = 1247 On readiness program = 100 New clients = S/Terrace on readiness =	Only one session doctor for ART	Post is not permanently filled	Review of the Organizational Structure
Access to School Health Services	Early detection of abnormalities to school going children to ensure	No of schools visited. No of children	Physical examination, immunization , health education	10 schools visited 1225 children examined			Quality health care

	compliance of treatment	examined No of home visits conducted		1061 immunized for six years -			
To enhance compliance on TB Treatment and chronic medication	Tracing of TB defaulters, HIV and Aids and Chronic patients	Visiting homes by community nurses and school nurses	Tracing of immunization / TB/ HIV defaulters and check up of non ambulatory patients with choric disease	106 homes visited and 106 clients were traced	Wrong addresses		Managed to trace the few
Increase access to Mother, Child and Women's Health	Conduct Maternity Services	No of deliveries conducted	Assess client for normal delivery and early referral of	563 deliveries conducted at Ngangelizwe CHC			Deliveries are more than the norm due to the locality of the clinic

			complication				
Beautification and Greening of parks and open spaces	Greening and cleaning of parks and open spaces	No of parks beautified	Trees planted on open spaces, road islands and grass cutting in the parks and open spaces	<p>Trees replaced as they were removed some broken due to vandalism on N2 islands from Ncambedlana towards town and also Tutor Ndamase Avenue, Tembu Road, Errol Spring.</p> <p>Waterfall Park greening project launched and on-going, 80% of the work completed.</p> <p>Queens Park under reconstruction by DEAT which has allocated R9 million for its refurbishment</p>	Shortage of grass cutting equipment and grass cutting personnel	Purchase of grass cutting equipment and employment of additional personnel	Appearance of the areas enhanced

Reconstruction of municipal nursery and production of flowers and trees	Production of all required plants and flowers	Number of plants and flowers produced	150 trees to be produced, all spring flowers to be ready for planting, all ornamental plants to be increased in numbers for hiring by the community	Only 87 trees were produced, all spring flowers are ready for planting for the season and all ornamental plants maintained	Unable to produce more as much as we want due to the condition of the nursery, stealing of the plants due to unavailability of security	Upgrading of Municipal nursery, Provision of security for the depot	Clean and healthy environment
Increase access to municipal amenities	Routine maintenance and cleaning of the stadium for the community to use	No of booking for the stadium	To attract community participation in sport	23 games have been played in the stadium for the last quarter	Shortage of staff due to deaths, retire and resignations for managing of facilities.	Filling of vacant posts and rehabilitation of ablution facilities	Municipal amenities fully utilized

					Lack of ablution facilities and vandalized fencing in Richardson Park Stadium		
Beautification of cemeteries	Fencing of cemeteries and provision of guard houses for access control	No of cemeteries fenced	Fencing of cemeteries and grass cutting	The project for fencing not yet started. Grass cutting has started at the main cemetery and ongoing, Grass cutting has been completed at Mqanduli cemetery.	Funding	Access funding from LED	Cemeteries beautified
Beautify ablution facilities	Upgrading and maintenance of Public Ablution	No of Ablution Facilities Upgraded and	Determine the current status of	Comprehensive report on the status of ablution	Lack of capacity to develop bill	Acquire expertise from Department of	All ablution facilities beautified

	Facilities	maintained	ablution facilities	facilities compiled. Awaiting work plans from service provider.	of quantities and lack of funding	Public Works and DBSA. Access Funding from DBSA	
Increase access to the swimming pool	Increase access to swimming pool services	No of children using the swimming pool	Opening of the facility for Spring and Summer Season	Over 1138 children have used the facility since the opening of the pool for the season (Spring & Summer Season)	The pool is defective and vandalized	Upgrade the swimming pool as part of the Greening and Cleaning Project with DEAT R4.030.585 has been allocated	Access improved
Local Economic Development	Upgrading of nurseries	The museum requires upgrading	Rehabilitation of Nelson Mandela Museum (Mvezo) source of			R1.828.123	

Local Economic development	Upgrading of museum		funding DEDEA and K.S.D. Rehabilitation of Qunu Nursery				
Local Economic Development	Maintenance of Public Open Spaces for sustainable, economically, socially and environmentally.	Greening and cleaning (Mthatha Airport)	Ongoing				
Improve access to social services	Provide support to psychiatric clients and homeless kids. Provide support	No of psychiatric clients referred to Psychiatric	Develop database for Psychiatric Clients that are not	Benchmarking from other municipalities from Cape Town	Shortage of personnel	New establishment developed	Improved access to service delivery

	<p>to the destitute in terms of food parcels from St Mary's Hospital.</p> <p>Assistance with the burial for the destitute that can't provide burials for their loved ones.</p> <p>Provide support for the HIV positive clients and their families.</p>	<p>Institutions.</p> <p>No of Homeless Kids referred to Children's Home Institutions.</p> <p>The number of pauper burials conducted</p> <p>Number of HIV positive interviewed</p>	<p>attended and for Homeless kids in town. Also the establishment of a database for those in need of food parcels</p>	Municipality			
Establish Soup Kitchens	Provide food to homeless kids and psychiatric	No of Soup kitchen established	Request funding from DOH for establishment	DOH nutrition unit approached	Lack of Funding. Funds are	Partnership with Department of Health	Alleviation of hunger and suffering

	Clients		t of soup kitchens		now available at the department of health and to be approach		
Improve access to library services	Provide mobile library services at Mqanduli and Coffee Bay	No of library sessions conducted	Conduct Mobile visits to Mqanduli and Coffee Bay. Mqanduli The Province has sent a second group of consultants in preparations for renovations of the library hall.	No visits conducted due to lack of transport	Transport problem Period of starting is still unknown	Written communication to the Province for funding	Access to Library services

Construction of Ikwezi Library	Provide library at Ikwezi Township	Library provision at Ikwezi	Provision of library services at Ikwezi	Flooring & plumbing material delivered. Shelving waiting floor finishing.	Completion delayed by late procurement of material	Meetings with affected stakeholders to be held two times a month to fast track completion.	Access to library services by Ikwezi community.
Annexure has been attached on the Zola 7 Project			Poetry			Source funds in	Improved literacy and use of

Marketing of library	Increase literacy	No. of events held	writing and reciting, reading	ORT district municipalities attended	Financial constraints to buy promotion material for attendees.	time from District Municipality	libraries.
Staff development		Poetry day celebrations 2010	Promotional materials catering transport tents, toilets, pa system	Funds will be sourced from the library grant			
	Identification of	ORTDM		Training of staff		Seven staff members were trained	ORTDM supplied new fire extinguishers to the three libraries Improved services

ORTDM Grant fund	need analysis	Provided a course on fire extinguisher		Still in process			
	Financial year end July 2009 – 2010	Business plan to access has been submitted to ORTDM Municipality	Purchasing of equipment and materials for the libraries				
Increase access to waste management services	Develop data base for all waste generators	No of waste generators recorded on the data base	Compile list of all waste generators	List of businesses compiled	Lack of personnel	Utilize EHPs and Supervisors for collecting information	All citizens have access to waste management services
Enhance clean environment	Purchase of trolley bins, street bins and skips for commercial waste Cleaning of C.B.D. & Suburbs by DEDEA /	No of bins procured	100 street bins procured to be placed in conjunction with INDALO	Awaiting order from finance directorate	1 skip truck available Street bins to be	Procurement of Fleet Appointment of 183 Contract workers from	Clean Environment

	EPWP		YETHU 10 skips procured for commercial and business waste. & 10 more skips have been ordered 5 million refuse bags.		placed.	Indalo yethu 10 Skips procured awaiting signing of order	
	Purchase of refuse bins	± two million bags		Quotation secured for procurement	Delivery of bags has been done to the community		Supplies refuse bags to households.

						Finalization of refuse bags tender	
Provision of refuse removal services	Acquisition of Fleet for refuse removal	No of trucks procured for refuse removal	Procurement of fleet	Currently fleet is acquired from hiring: 5 trucks from SANNAS, 2 Trucks	Tender for Leasing Fleet not yet finalized.	Finalization of the tender process	Clean Environment
Establishment of new Solid	Clearing of illegal dumping in the CBD and Suburbs Submission of business plan by Ikamva	No. of illegal dumps cleared and installing of "No Dumping" signs New Solid Waste Site	Procure services for clearing illegal of 100 dumping sites Operate site into. DWAF & DEAT standards	6 illegal dumping sites cleared and 'no dumping signs installed Ikamva started working on site for capping and covering	Lack of funds to procure equipment and machinery for clearing illegal sites Scarcity of land	Availability of fleet Social facilitation being done with chiefs	Clean and healthy environment Operation of a new site

Waste Site							
Improve standards of food handling, preparation and storage	Registration of food handling premises to the municipal data base	No of Businesses registered to municipal data base including caterers	Registration of all food handling and non food handling premises	210 businesses have been registered on the municipal data base	Shortage of personnel in management level Environmental Health Services	Filling of vacant posts	Improved Health Standards in all Businesses
	Inspection of food handling premises including accommodation establishments	No of businesses inspected to ascertain compliance	Routine inspection in all businesses	140 businesses have been inspected	Shortage of personnel Most B & B don't have special consent approval	Town planning involvement	Compliance with Minimum Health Requirements
	Notices served for	No of notices served for non	Serve notices in all	100 notices issued to non	Shortage of	Filling of vacant	

	non compliance	compliance	non compliant businesses	compliant business premises	personnel in management level	post	
	Operating licenses and Certificates of Acceptable issued to complying	No of Licenses and Certificates of Acceptability issued to complying businesses	Issue Certificates and Licenses to complying businesses	86 businesses meet the minimum health requirements	Other businesses do not always keep with the minimum health standards	Regular inspections to monitor compliance	Compliance with the legislation
	Condemnation of unsound food	No of businesses with condemned foodstuffs	Condemnation of all unsound foodstuffs found	Seven condemnations have been conducted	No vehicle available to conduct condemnations	Request a vehicle from other departments	Safe food for consumption for the consumers
	Swabs on surfaces taken on food handlers and food	No of food samples taken on suspected unsound or	Educate food handlers on safe handling	5 Food samples have been taken	No food laboratory available	Food samples need to be sent to Pretoria for	Safety in food preparation and handling

	samples to suspected food stuffs	expired foodstuffs	and food preparation	for analysis	local	analysis	
Implement by laws on businesses or individuals contravening with the law	Contravention Notices served for Illegal dumps, Leakages and blockages	No of notices issued for compliance	Serving of contravention notices on all identified defaulters	48 notices have been served to abate the nuisances	Some of sewage spillages reported is not cleared due to poor communication with O.R. Tambo and community not responding soon.	We cannot overcome	
Disposal of the dead	Exhumation monitored	1 Exhumation	Proper disposal of the dead				

Improved health standard leading to clean and healthy environment	Identify nuisances	No of illegal dumps of refuse, rubble, scrap metal, garden refuse, oil spillage identified and cleared	To identify and clear all Illegal nuisances at Vulindlela and Norwood	Three Illegal dumps have been identified at Vulindlela Heights, ten in Norwood, two in Nepgen, Three in Ikhwezi Reported illegal dumps have been cleared at Vulindlela Heights and no dumping signs have been erected	The Municipality does not have machinery to clear nuisances	Hire the machinery from outside suppliers through supply chain	Clean and safe environment
		No of notices served to abate nuisances	To serve notices to all nuisances identified	48 Notices have been served to abate the nuisances			Clean and safe environment
	Improved access to ablution facilities	Renovation of public toilets to be user	Renovations of all public	All public toilets have been	No funds available for	To make funds available	Clean and safe public toilets for the public

		friendly	toilets	inspected	renovation		
Cleaning & removal of alien plants along MTHATHA river	Launch of Water Week by Minister of Water Affairs	Mthatha River Cleanup Project		Sustainability		Funds available from Department of Water Affairs	200 People were employed in the project

PERSPECTIVE 2: FINANCIAL DISCIPLINE AND VIABILITY

Measurable objectives	KPA	KPI	Target	Actual performance	Challenges	Measures to address challenges	Comments on actual progress
Signing of service level agreement	Draft submitted by the province for comments and input	Signing of the draft agreement	Agreement to be signed	Agreement signed and delivered to Bisho		Availability of funds for staff and library establishment	Fully funding of the service by the province

PERSPECTIVE 3: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

Measurable objectives	KPA	KPI	Target	Actual performance	Challenges	Measures to address challenges	Comments on actual progress
Addressing of staff shortage	Review of organizational structure and recruitment of nurses for replacement in four clinics	No. of vacant posts advertised = 1 SPN 5 PNS 2 ENS	Advertisement of posts	Posts advertised and interviews held	Appointment of staff not done yet		Staff shortage addressed.
Encourage staff development	Training on post basic courses	No of staff trained	Training on post basic courses	3 professional nurses were employed One Enrolled			

				Nursing assistant – Bridging course.			
Review and Populate organizational structure	Filling of funded vacant posts	No of filled vacant posts	All vacant posts to be filled by end of first quarter	Interviews conducted and no placement yet	Lack of funds	Make funds available	Employment of 1 Chief librarian and 3 library assistance
	Training of EHP's for Law Enforcement	No of EHP's trained for Law Enforcement	No training conducted yet				
	Implement Environmental Health Quality Management System to measure performance of EHP's Three day	No of EHP's accredited	No yet implemented				

	workshop on Solid Waste Management was conducted						
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PERSPECTIVE 4: LOCAL ECONOMIC DEVELOPMENT

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
Renovation and extension of Ngangelizwe Health Centre	Construction at roof level		80% construction	Construction is at 80%			Increased access to health services and job creation

PERSPECTIVE 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
Active community participation and involvement	Existence of clinic committee	No of clinic committees established	Establish Clinic Committees	Presently Ngangelizwe Health Centre has established Clinic Committee			Community involvement
Assist people to access municipal social development services	Liaise with councillors with regard to verification of information submitted.	No. of people who have been assisted with burial of relatives and the unknown.	All communities	The paupers burial policy is reviewed	The process has no control measures	Review Paupers burial policy	Support to destitute families

Establishment of a community based collection service	Initiate ward based waste collection project	No. of community members receiving stipend on waste collection.	Contract workers for refuse collection	50 workers are contracted for refuse collection			Clean environment
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5. Infrastructural Development

Division	KPA	KP1	Target	Actual Performance	Comments on actual progress
1. Project Management Unit.	Develop the capital infrastructure within the municipal area	<p>Approved projects completed within the financial year</p> <p>71km to be completed within financial year of 2009/2010</p> <p>Fully comply with Dora responding requirements</p>	<p>Apr-10</p> <p>Apr-10</p>	<p>90%</p> <p>90%</p>	<p><i>The department has completed 6 projects out of the 9, 2009/2010 approved projects by MIG focusing on gravel roads</i></p> <p><i>Of the 71 km planned for 2009/2010 financial year 60km is complete in various wards of KSD and the rest are in various stages all due to finish February 2010..four roads have been advertised for contractors to start construction early in 2010 (Nqadu West 2km , Sheshegu AR 4.8km, Kwenxura 8km and Maqomeni AR 9km)</i></p> <p><i>The requirements, like the completion and submission of the PMU BP, Project Commitments, Cash flows, Project Registration have been done and monthly reporting is ongoing</i></p>

		Monitor the project implementation	Ongoing	100%	Regular site visits and monitoring is conducted weekly and as when required with PSC meeting held monthly on site An ongoing activity done by PMU project team
		Utilise MIG Allocation in line with Dora guidelines	Ongoing	100%	To date the expenditure is R31.5 mil of the R 33,028. mil budget and the 2009/10 allocation is to be finished by end March will all the Reports submitted to MIG
			Ongoing	100%	

2. Roads Storm water and pavement	Maintain the Roads within the Municipal Area to promote Economic Development	1.Pothole patching	Jul-10	80%	<i>Sissons Street, Errol Sprigg , Zanemali have been done. The rest of the areas are to be patched in the 3rd Quarter.</i>
		2.Sidewalk repairs	Jul-10	65%	<i>Not much has been done as there are still procurement Processes that are delaying like the sourcing of Cement, etc.</i>
		3.Storm water cleaning	Jul-10	90%	<i>Ongoing in all suburbs</i>
		4.Gravel Access Roads	Jul-10	70%	<i>Ongoing as required...have challenges with the Grader tyres that require punchers to be fixed often and the machine is old. The Grader will be fixing Kwezi, Waterfall and Mtata west</i>

		5.Manhole repairs	Jul-10	75%	
3.Electricity	Maintain a consistent and a safe supply of Electricity to the Consumer in the Municipal Area.	Maintenance of street lights	Ongoing	70%	<i>Ongoing with the municipal team fixing the central part of town and we are having a challenge with the unavailability of a cherry picker and a crane truck to lift damaged and knocked over poles</i>
		(Robots).	Ongoing	80%	Maintenance of Robots an ongoing program, the problem being the construction of Nelson Mandela Dr. where robots cables are being interfered with causing problems with robots.
	Improving living standards in the Municipal Area	Visibility of lights			There is visibility in all suburbs and regular faults are attended to as and when reported--- some of our street lights are faulty have fused globes, which have been replaced in December by a hired service provider.

		in suburbs where there are street lights	Jun 10	70%	The transformer in Hillcrest substation has been connected to the Umtata grid and a new transformer next to Boxer has been replaced.
		Maintenance of substations & transformers	Jun 10	70%	A contract by Eyabantu and Balledon and Rob is currently undertaking fixing of these underground cables with the Tailor and Associates looking at the entire electricity grid.
		Laying & replacing of cables	Ongoing	80%	2000 house connections and infills Mthatha West, Bongweni and Infills in Zimbane Valley
		Establishment of line in all Townships	Ongoing	65%	

4.Mechanical Workshop	Maintenance of Municipal fleet	Maintaining Municipal assets	Ongoing	55%	<p><i>Ongoing, waiting for the Asset Full Lease Contract which is to lease and maintain all our vehicles</i></p> <p><i>Ongoing the workshop has no full capability to service vehicles internally and with the new established fleet management contract this could improve.</i></p>
		Servicing Municipal fleet	Ongoing	40%	
5.Works	Maintaining municipal buildings furniture pave sidewalks	Relaying paving slabs at Sutherlands street & Building additional room at stores	Ongoing	65%	<i>Ongoing</i>

Town Planning, Housing and Building Division

Perspective 1: Service Delivery

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
Implement and administer land use management system and regulations to ensure that applicable legislative and administrative procedures are followed in terms of land use control	Formulate policy documents with regard to the use of land for adoption by Council as a guiding and planning tool	Amended Town Planning Scheme aligned with Master Plan	June 2010	20% Meeting to be held with DBSA, Urban Renewal and Town Planning division was rescheduled.	Inadequacy of funds	Source additional funds through Urban Renewal and DBSA	Additional funds will be available
	Conduct routine and	Register showing	June 2010	60 %	i) Bottleneck on comments	i) Introduce items for	Effective and efficient

	<p>general inspections for identifying possible contraventions of the town planning scheme conditions.</p> <p>Write reports to council and make comments on land use applications to be approved in the absence of a manager.</p>	<p>finalization of applications received and applications processed efficiently</p>		20 applications concluded		<p>from departments</p> <p>ii) Lack of attendance at Standing Committee by relevant officials</p>	<p>comments at MANCOM meetings</p> <p>ii) All the Head of Departments should attend Standing Committees so as to be able to give comments on urgent matters.</p>	consultation.
Promote development of sustainable Human Settlement	782 Houses at Zimbane Valley		June 2010	80 %	180 houses are in various stages of constructi	<p>Water stoppage</p> <p>Sewer leakages</p>	The meeting was held with OR Tambo on the 16 th of march 2010 to address	Formulation of joint communication and awareness workshop between O.R

					ons	Damaged roads	water and sewer challenges.	Tambo and KSD municipalities.
	450 Houses at Waterfall		June 2010	100%	100%			All houses completed
	Rem of Maydern Farm 70 sites		June 2011	30%	The project is on standstill.	The project is still on standstill because the tenders exceeded the existing budget.	Source additional funds from Department of Housing	Approval of additional funding.

	463 Houses at Ilitha		June 2010	80 %	170 houses in various stages of construction	<p>Sewer leakages due to pump station not working</p> <p>Water stoppage</p> <p>No roads</p>	<p>The meeting was held with OR Tambo on the 16th of march 2010 to address water and sewer challenges</p> <p>Dept approached for funding in order to build roads</p> <p>Beneficiaries had to be relocated to other projects with extra vacant sites.</p>	Formulation of joint communication and awareness workshop between O.R Tambo and KSD municipalities
	Phola Park	Formalizat	June 2011	0%	No funds	Funding Bulk	Source	

	(1000 units)	ion of the existing settlement in alignment with the BNG principles and the Memorandum of Understanding with the Department of Housing			available	Infrastructure (Water and Sanitation) Identification of temporary Housing Solutions	Addition funds Engaged O.R Tambo to put this project in the IDP and 2010/2011 budget	
	Zimbane (50 ha=1500 units)		June 2011	20%	Draft township layout has been done	Land Claim		
	Mthatha West Informal (6000 units)	Formalisation and development of the existing settlement	June 2011	40%	2 Ministerial (MEC) approvals received (Chris	Insufficient Funding to continue with the projects	Source Addition funds Engaged	

		s known as Mandela Park, Chris Hani Park and Slovo Park			Hani Park is outstanding)	Continuing Invasion of sites Sanitation	O.R Tambo to put this project in the IDP and 2010/2011 budget	
	Bongweni (3000 units)	Formalisation and development of existing informal Settlements on the southern commonage and environs	June 2012	0 %	No funds available	Land invasion Bulk Infrastructure Land Claim	Source Addition funds Engaged O.R Tambo to put this project in the IDP and 2010/2011 budget KSD must have for further land invasion (in the form of	

							policy that will deal with land invasion)	
Compliance with National Building Standards Act	Scrutinizing and Approval of plans	Number of building plans finalized within 3months of receipt	Ongoing	Ongoing	59 plans have been approved		Inter departmental approach	Increased turn-around times for building plan processing
	Contravention notices	Monthly portfolio reports indicating the number of contraventions attended to	Ongoing	Ongoing	15 contravention notices that have been served	Illegal land use and Buildings Non compliance fee/fine	Inter departmental approach	To minimized illegal land uses and buildings
	Site Inspections and issuing completion certificate	To ensure that 80% of all site inspections are done within 48	Ongoing	Ongoing	50 inspections that were done	Building without approved plans		To attend 80% of the inspections

		working hours (6days) of request.						
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Perspective 3: Institutional Development and Transformation

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
Capacity Building	Geographical Information System (GIS) training		June 2010	70% Awaiting for proposed dates for the Workshop	Struggling to get information from Finance Department	Finance Department to delegate	
Filing of Vacant Posts	All vacant post must be filled		June 2010	0 % Waiting for Council approval	Approval of the Municipal Organogram	Council to Approve Organogram	

Perspective 4: Local Economic Development

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
To promote economic development	Identify and make land available for Integrated Development Opportunities and organize transfer to Municipality where necessary	Feasibility study has been done for all suitable underutilized land within Mthatha functional area.	Ongoing	40 %	Land claims, Government and parastatal ownership	Enlisted assistance from HDA to engage Government	Master Plan completed- find assessments being done on land ownership and suitability. Land Summit report completed
	Erf 2784 for Taxi rank and shopping complex		Ongoing	The matter is in court	Land invaded by municipal employees and community.	Relocating of the municipal employees and community	Still waiting for the outcome from the court as for the project to

					Tenders for Taxi rank outdated		commence.
	Alternative Cemetery	Identification of land for the new Cemetery	June 2010				
Monitor and control applications for containers and caravans to avoid influx within the CBD	To enforce Container policy		25 %	2 %	Existing containers inside Central Business district (CBD /Town)	Enforcing Municipal policy for containers	

Perspective 5: Good Governance and Public Participation

Measurable objectives	KPA	KPI	Target	Actual Performance	Challenges	Measures to address challenges	Comments on actual progress
To liaise with government and deal directly with the public for implementation of projects	<p>Liaise with government and deal directly with the public in order to seek approval of land use applications and township establishments</p> <p>either by phoning, written correspondence and meetings</p> <p>Deal directly</p>	Cooperative governance	Ongoing	40%	Poor Attendance of meetings (government departments)	Improve communications and deal with one person	Effective and efficient consultation.

	with public by responding to queries related to use of land.						
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6. Public Safety

KPA	Objective	Action	KPI	Target	Actual Performance	Comments on actual progress
Fire And Rescue Services	To reduce the loss of life and property.	Training staff on all aspects of fire and emergency.	Reduction in loss of life due to fires. Reduction in loss of property.	Ongoing	60%	Increased fire awareness.
	Inspection of businesses premises for compliance with fire safety standards and regulations.	4 business units were inspected for safety standards. 3 Flammable gas licenses were issued.	Reduction in job losses due to fires.	Ongoing	100%	Good co-operation from business owners and eager to comply due fire awareness education.
	Inspection of Building Plans.	12 buildings were approved for KSD Municipality which is Mthatha and Mqanduli. *Inspection of new stadium – non compliance with Fire regulations, no compliance	Compliance with Building Regulation.	Ongoing	100%	There is more Co-operation in building regulation compliance.

		certificate issued				Informed Project Manager about the faults, will attend to the matter, as soon as possible
	Training	Fire Officers will resume training at Ethekeini after world cup. Further training has been arranged with LP Gas of Southern Africa	Increase in working skills Gas auditing and awareness of usage of gas	Ongoing		More training is needed for operational fire fighting staff to reach level of competency.
	Staffing	To fill outstanding vacancies in next budget	To achieve better service delivery	100%	0%	To be included in next budget of 2010/2011. No vacancies filled in 2009/2010 budget
	Revenue		An amount of R2895.30 was collected from training outside company on Basic Marshall Course during this period.		100%	
Disaster Management	Establishment of Disaster Management	Architects appointed by Department of Infrastructure, they have visited the site at		August 2010		That all KSD Emergency services to financial contribute towards the construction of the

	Satellite Centre at Mqanduli	Mqanduli and do measurements. They requested Infrastructure Directorate to clean the site with TLB so that they can complete their measurements in terms of square meters.				satellite Centre
	Construction of disaster houses	To reconstruct 40 disaster houses in various wards of KSD municipality. The Department of Housing in the Province has approved 40 houses for KSD Municipality, the incident occurred 2006 and 2007. The wards that will benefit are as follows: 10, 15,16,19,20 & 27.		October 2010		That this process be fast tracked as it is leaded by O.R. Tambo Emergency Housing.
	Activation of disaster volunteers	To check whether we still have enough number of disaster volunteers as we in summer season which is likely to have many natural disasters.	All trained disaster volunteers are still available in their respective wards.			That when disaster volunteers are called to perform any duties that relates to disasters be compensated with a stipend.
	Disaster awareness programmes	During the month of May 2010 All the Traditional Leaders were visited by Following stakeholders: KSD Disaster		Completed on the 10 th June		That these awareness be continued and cover at least 85% of the wards

	<p>To let the communities aware of the risk that they posed during winter season could result in storm, gale force winds, veldt fires and stray animals that could pose danger to the motorists and result in huge accidents</p>	<p>Management, KSD Fire & Emergency Services, and O.R. Tambo Disaster Management & DAFF in their respective Tribal Authorities. The purpose was to make the community of these areas aware of veldt fires, epidemics and other related disaster hazards.</p>		2010		<p>that belongs to KSD Municipality</p>
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<u>Licensing :</u> Motor Vehicle Registering Authority	To ensure that motorists comply with National Road Traffic Act.	Register and issue license to vehicles. Deregistration of motor vehicles Issue temporal licenses (21 days limit) and special permits. The following are the transactions performed during this last quarter of the financial year. Mthatha RA M/V Reg. 4891 Dreg. 153 Spec Per. 23 Temp Per. 27 PLN 35 Dupl. Reg/Dereg 45	To reduce car theft. Identify vehicle owners. Compliance of National Road Traffic Act by motorists. Registration of motor vehicles on the system.	Ongoing	100%	Suitable accommodation is needed to house MVRA and also the necessary tool/equipment be provided to have a smooth running operations. Increase of staffing levels.
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		Renew. Lic 9884 Confirm. Of M/V 23 Mqanduli RA M/V Reg. 110 Dereg. 38 Spec. Per. 10 Temp Per. 27 Dupl. Reg/Dereg 0 Renew. Licences 1398 Confirmed 1 motor vehicle To supply information to authorized parties i.e. Police, Auditors, Attorneys and Inspectors for conducting investigations.	Court evidence and proceedings.	Ongoing	100%	
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		Proper filling of the documents and licence forms.	Information storage for future reference and compliance to National road Traffic Act.	Ongoing	50%	Funds for overtime need to be allocated to cater for filing as this section does not have filing clerks at present.
	To reduce time taken to register vehicles.	Increase of staff	Improvement in processing documents and operational efficiency Good service delivery	Ongoing	75%	Order for standby generator has been issued to the service provider to supply.
	Revenue collection	Daily Reconciliation of face value documents and Banking for revenue.	Revenue collected during this period is as follows: Mthatha RA R1 181 356.40 Mqa RA <u>R 60</u> <u>629.67</u> Total <u>R1 241</u> <u>896.18</u>	Ongoing	100%	

Vehicle Testing Station	To reduce un roadworthy vehicles by testing them for roadworthiness .	<p>Tested and captured the following vehicles:</p> <p>58 Road Worthiness Certificates applications for buses were processed amounting to R12006</p> <p>538 Road Worthiness Certificates applications for goods vehicles were processed amounting to R107910</p> <p>787 Road Worthiness Certificates applications for other vehicles were processed amounting to R136080</p> <p>944 Certificates of Road Worthiness were issued amounting to R87003</p> <p>1 Certification of Road Worthiness – police clearance required amounting to R63.00</p>	Improvement of roadworthy vehicles and reduction of accidents.	Ongoing	100%	<p>That Council should consider employment of a cashier.</p> <p>There are no guards at the Station. Council should consider installation of security system.</p>
		Assessment of examiners	Weekly assessment of examiners to ensure proper and efficient	Ongoing	100%	

			vehicle examination.			
	Revenue collection	Daily Reconciliation and Banking	R310 230.00 was collected. (See attached statistics report as Annexure C)	Ongoing	100%	
Driver / Learners Test Centre	<p>To issue driver / learner with license to ensure road safety.</p> <p>To issue drivers with professional driving permit.</p> <p>To improve service rendered the public.</p> <p>Equip Driving</p>	<p>Education and training of motorists.</p> <p>Tested drivers for fitness and issued Learners License, Driving License, Professional Driving License and processed License Renewals as follows:</p> <p>2497 applications for Learners Licenses were processed.</p> <p>2 applications for Professional Driving Permits category G were processed.</p>	<p>Compliance with National Road Traffic Act.</p> <p>Increase in Road safety</p>	Ongoing		<p>Testing grounds are not secured and working environment is not conducive for efficient and effective performance of duties. Department of Transport is threatening to close the centre due to non compliance with legal required standard.</p> <p>Vacant posts exist.</p> <p>Office accommodation is still a problem.</p>

	<p>Schools with Instructors Certificates.</p> <p>927 applications for Professional Driving Permits category G & P were processed.</p> <p>6 applications for Professional Driving Permits category P & D were processed.</p> <p>1583 applications for heavy motor vehicle driving license were processed.</p> <p>1005 applications for light motor vehicle driving license were processed</p> <p>6 DL card administration levy</p> <p>72 duplicate learners license issued.</p> <p>3146 Driving licenses were issued.</p> <p>984 learner's licenses were issued.</p> <p>2373 Temporary Driving Licenses were issued.</p>				
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	Revenue collection	Daily Reconciliation and Banking for licenses and permits.	R2 100 606-00 was collected during this period. (see attached statistics report as Annexure D)	Ongoing	100%	
Traffic Services	Reduction of illegal parking	<p>Towed illegally parked motor vehicles and charged drivers.</p> <p>21144 tickets both Section 56 and 341 were issued with a projected value of R3 466 314-00 out of which R331 400-00 was paid with an outstanding balance of R3 134 914-00.Increased beat operation on streets.</p>	Reduced illegal parking and as well as compliance by the public.	Ongoing	60%	Strict supervision is needed.

	Reduction of traffic congestion.	Manning of points and intersections.	Reduced traffic congestion even during busy times i.e. during FIFA World cup and during road construction period in the CBD area of Mthatha.	Ongoing	60%	Infrastructure Department to improve functioning of robots.
	Elimination of washing of cars on the streets.	Towed and impounded vehicles that were washed on the streets. Fines were imposed.	Reduction of illegal car washing. Improvement in revenue collection.	Ongoing	50%	There is a need to have a Municipal Breakdown.

	Removal of un roadworthy vehicles on the road.	Manning of road blocks with more arrests. Arrested and charged drivers without driver's licenses.	High performance and reduction of use of un roadworthy vehicles and drivers without licenses. Elimination of vehicles	Ongoing	60%	There is a need to buy more vehicles as to improve performance.
	Execution of warrants of arrests	Conducted road blocks on R61 and N2 roads and out of 55 warrants only 6 were executed.	Follow-up of tickets and revenue collection.	Ongoing	60%	More focus needed on execution of warrants of arrests.
	Speed Traps	Operated camera speed device on the various exit/entrances to and from Mthatha.	Compliance by the public.	Ongoing	20%	There is a need to produce a strategic plan.
	Road Blocks	Embarked on joint road block operations with SAPS to maintain operation Khuseleka Mkweli. These road blocks were held in different roads around Mthatha City.	Safer roads through the City of Mthatha. Expelled more un roadworthy vehicles from the CBD area.	Ongoing	40%	There is a need to purchase road block equipment. Staff members to be encouraged on frequent road block operations.
	Elimination of Hitch Hiking.	Attempts have been made to stop illegal hitch hiking but	Reduction of road obstruction,	ongoing	20%	Operations will commence after completion of road

		because of road construction operations such activities were hindered.	congestion and accidents.			construction.
	Focus on Public Transport.	Conducted vehicle check points to check operating licenses and operating cards.	More compliance with National Road Traffic Act.	Ongoing	40%	
	Road spot checks at Mqanduli Unit	Conducted road blocks on R61 and N2 roads and out of 55 warrants only 6 were executed.	Follow-up of tickets and revenue collection.	Ongoing	60%	More focus needed on execution of warrants of arrests.
	Revenue collection.	Improved revenue collection by embarking on spot fine.	R331 400-00 was collected for both Mthatha and Mqanduli during this period.	Ongoing		Working place is not conducive at the charge office. There is no safe for keeping cash and the premises are not secured.
Crime Prevention	Provide a safer environment for the public and business	Embarked on foot patrols and vehicle patrols.	Reduction of crime. Community	Ongoing	40%	Lack of transport.

	community.	Eradicated noise pollution at Pep, Mr Price and Jumbo stores which has been causing noise and disturbance to ECDC.	compliance.			
	VISPOL activities	Embarked on foot patrols, beat duties which resulted into more body search operations.	Managed to confiscate 50 knives. Reduced noise pollution and minor robberies.	ongoing	60%	Shortage of transport
By-Law	To Eliminate illegal street trading.	Embarked on foot patrols in town and confiscated about 136 illegal sets of goods	Reduced illegal street trading.	Ongoing	30%	No police visibility.
	To reduce littering, dumping, urinating on	Embarked on both foot and vehicle patrols.	Reduced illegal dumping and littering.	Ongoing	10%	No police visibility.

	streets and public drunkenness.					Lack of transport.
Security	Safeguard Municipal properties and installations	Embarked on guard duties.	Poor performance characterized by more theft of Municipal properties / assets.	Ongoing	20%	No supervision and shortage of manpower.
Support Services	Data Capturing of Traffic tickets, payment reports and storage of traffic offences created by offenders. through Trafman System	Statistics of traffic offences, payments made, generation of general reports. (i) 668 Section 341 notices with a Projected Fine Value of R376 000-00 were captured to TRAFMAN and are for April and May 2010 . (ii) 88 Section 341 notices were paid and captured and are for April and May 2010 with an	Data storage of traffic citations issued to traffic offenders as well as storing of tickets paid. Generation of general reports.	Ongoing	75%	June statistics cannot be available in this report due to expiring of contract for Trafman system. Endeavours to get a new service provider are well advanced. Evaluation process will kick off this week and hopefully by the end of next week Bid adjudication will have been completed. Additional staff of two capturers is required for efficiency and effectiveness.

		<p>amount of R104 100-00.</p> <p>The above payment does not include the payment of S56 Notices paid at Magistrate.</p> <p>(iv) Long outstanding 532 Section 341 payments have been captured during the period with a total amount of R325 400-00.</p> <p>Long outstanding 38 Section 56 payments have been captured during the period with total amount of R19 300-00.</p> <p>(vi) The total number of long outstanding notices paid and captured during the period is 391 with a total projected fine value of R242 200. The total</p>				<p>Working overtime is requested to help fight capturing backlog</p>
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		<p>amount paid is R222 500.</p> <p>(v) R29600-00 has been received from Magistrate. This is for the payment of Littering and Traffic fines for the month of March to April 2010</p> <p>(i) 1175 is the total number of outstanding Section 56 notices to be captured to TRAFMAN.</p>				
Section 54 Summonses.	Printing of Section 54 summonses to allow the relevant offenders to appear before the magistrate.	<p>Section 54 summonses are issued to offenders after Section 341 notices are not paid</p> <p>None of the notices have been issued yet due to printer problem.</p>	Not achieved due to Dot Matrix Printer that is not in a working order at the moment.	Ongoing		Issue of printing section 56 summonses will be taken up by new service provider.

Illegal Vending, Impounded vehicles and exhibits.	Illegal vending, Impounded vehicles and exhibits.	Keeps statistics and records of impounded goods, vehicles and exhibits.	<p>Illegal vendors are arrested by the Law Enforcement Officers.</p> <p>No illegal traders were arrested during the period.</p> <p>Analysis of statistics to establish trends for advice to operational divisions</p>	Ongoing	60%	<p>Employment of exhibit clerk.</p> <p>Not achieved due to refusal of cooperation by individuals in some sections of Protection Services Division.</p> <p>Matter needs to be resolved by the Director as was reported.</p>
Road Marking	Maintenance of roads and	The streets were marked as follows: Number of streets was	Visibility of road signs.	Ongoing	85%	Provision of dedicated vehicle

and Signage	streets.	marked: Owen, Durham, Elliot, York Road, and Sutherland. In total of 530 five litres of paint comprising white, red, yellow, and black used during this period.	Reduction of accidents			is needed. Infrastructure to repair damaged streets. Streets cannot be marked in a proper way because of their bad condition.
Weapons and Communication Radios	Safe keeping, recording and maintenance/ inspection of equipment.	11 firearms are in use at the moment. 1 of them was destroyed by SAPS by mistake in 2004. The matter is being further investigated by SAPS. There are 18 communication radios at the moment.	Well functioning equipment. Efficient and effective work performance.	Ongoing	75%	Acquisition of additional firearms and radios.
Transport	Record keeping and vehicle maintenance.	There are no new developments with respect to previous reports.	Transport management. Efficient and effective work performance.	Ongoing	75%	More vehicles have to be acquired for Traffic, Law Enforcement and Support Services Divisions.

Court Processes	Ticket Administration of Section 341, 54 and 56 notices	<p>(i) Due to technical difficulties in the last two months (slow system and or network failure that results to capturing backlog) our system is unable to generate computer generated reports of all types of traffic tickets. Contract also expired for computer report in this quarter ending.</p> <p>(ii) There are other notices that were paid, struck off the roll and withdrawn at the magistrate offices but we are waiting for the AOG Classification Register (J114) from the magistrate offices that will be sent to KSD very soon. This will help us reconcile the status of notices.</p>	Ticket follow ups.	Ongoing		At least two officials: Warrants & Representations and Summonses Clerk are to be allocated mainly for court processes for the sound efficiency and effectiveness.
	Total Revenue collected by the whole Department		R3 987 027-48 was collected during this period.			

8. Urban Renewal Programme

KPA	Delegated To	Objectives	KPI	Target	Actual Performance
Social Amenities	Programme Manager	Improved health standards. Improving general social standards	Renovations and extensions to Ngangelizwe Clinic. Library upgrade.	June 2010	Contractor onsite progressing well. Project 50% finished. 99% complete. Awaiting purchase of shelves by ORT DM.
Economic activities	-do-	Improved economic infrastructure.	Upgrade Boundary link roads and renovate Transido.	June 2010	Transido Business Hub currently under renovations by Contractor. 30% finished.
Ngangelizwe Internal Roads	-do-	Upgrade living environment.	Entrance and road markings. Paving of streets & walkways.	June 2010	Construction complete. Ring road disqualified.

Institutionalization of KSD Master Plan.		To make the Master Plan an operational tool.	To design, negotiate, establish and involve people (in clusters) in respect of : <ul style="list-style-type: none"> • The River System • The Street System • The Home System • The Market System. 	June 2010	Political champions still refined. Meeting held 24 November 2009 arranged by IGR. HOD for Local Government to co-ordinate provincial task team.
Create Strategic Partnerships.		To leverage and enhance crowding in of resources through sectoral alignment	<ul style="list-style-type: none"> • Draft Interim Business Plans. • Draft MOU's. 	June 2010	Specification for Service Provider to be finalised.
Public Participation		To inform, consult and involve stakeholders at all levels of deliverables.	<ul style="list-style-type: none"> • Workshops • Seminars • Imbizo's • State visits 	June 2010	40 unskilled unemployed selected by Ngangelizwe Community and trained in the manufacturing of bricks and in building the first house.
Breaking New Ground for the achievement of Human Settlements.		<p>Township Establishment on 50 Ha Greenfields.</p> <p>To build BNG show – houses in Ngangelizwe.</p>	<p>First draft of township establish for debate.</p> <p>Show – houses better than RDP.</p>	June 2010	One house finished. Foundation condemned by NHB. Site preparation on the other five sites complete. Brick manufacturing for the five sites complete. Materials purchased for the pilot houses.

Economic Infrastructure		Upgrade economic infrastructure	Rehabilitation of Boundary Road	June 2010	Awaiting capital budget.
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B. Annexure

Full AG report;

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON KING SABATA DALINDYEBO MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of King Sabata Dalindyebo Municipality, which comprise of the statement of financial position as at 30 June 2010, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages XX to XX..

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework and in the manner required by the Municipal Finance Management Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. I draw attention in respect of these matters:

Property, plant and equipment

5. In accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*, as evidenced by Property, plant and equipment of R638 891 544 (2009: R509 055 893), as disclosed in note 7 to the financial statements, includes amounts incorrectly classified to the value of R34 959 608. These represent investment properties of R34 739 536 and intangible assets of R220 072.
6. Due to the information and the deficiencies of the fixed assets register and supporting documentation maintained by the municipality. Consequently, I was unable to perform any alternate procedures. I did not obtain such evidence to satisfy myself as to the existence, valuation and completeness of Property, plant and equipment.
7. The municipality did not provide sufficient evidence of the annual review of the residual values and useful lives of Property, plant and equipment in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. The fixed asset register provided for audit purposes did not reflect any residual values and useful lives. I am unable to quantify the extent of the misstatement as the Fixed Asset Register supplied for audit purposes did not agree with the financial statements with a difference of R13 018 630. An amount of R8 504 585 for depreciation and accumulated depreciation does not agree with the financial statements. No alternative procedures could be performed due to the lack of

documentation regarding the annual review. I am thus unable to satisfy myself regarding the valuation and accumulated depreciation of the property, plant and equipment.

8. The municipality holds several properties that are being inhabited by the municipal staff. I was unable to determine if these properties are correctly classified due to audit evidence not being available. The amount may represent property held for sale or imply that a fringe benefit exists for these employees. There were no alternative audit procedures that I could perform to obtain reasonable assurance that these properties were correctly classified within property, plant and equipment. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that the municipal staff housing was adequately disclosed in the financial statements.

Investment property

9. Further, I was unable to confirm the rights and obligations and valuation of the municipality in regards to certain Investment properties of R31 783 013 (2009: R31 783 013), disclosed in note 9 to the financial statements, to the value of R5 519 857. Further, the valuation for an additional R3 330 126 of investment properties could not be confirmed. Further, the investment register and financial statement did not reconcile by R2 956 523. Alternative procedures performed of the valuation roll did not provide appropriate and sufficient audit evidence in this regard.

Revenue from non-exchange and exchange transactions

10. There was no system of control over Rental of facilities and equipment on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all rental revenue was properly recorded. Further, rental lease agreements had not been renewed. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and accuracy of rental revenue of R10 924 103 (2009: R10 310 380) disclosed in note 19 to the financial statements.
11. Certain anomalies were identified on the valuation roll. There were 230 properties which had nil values per the valuation roll relating to superseded land demarcations where new erven numbers were assigned to these properties. I could not obtain a reconciliation to support the land demarcation changes. There were 111 properties registered to various owners that had nil values per the valuation roll prepared by the valuer and consequently no revenue income was recognised for these properties. Further, incorrect tariffs were charged on properties. There were no alternative audit procedures that I could perform to obtain reasonable assurance that all the revenue relating to these properties were properly recorded and it was impractical to obtain the potential financial effect to Property rate revenue. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that the Property rates revenue of R117 216 295 (2009: R 61 489 662) was accurate and complete in note 17.
12. Included in Service charges revenue of R170 480 353 (2009: R116 289 243) disclosed in note 18 of the financial statements, is revenue from prepaid electricity sales of R76 191 036 which was accounted for on the cash basis (on receipt of funds in the bank account). The revenue received from prepaid electricity sales was not accrued and recognised as revenue on a consumption basis contrary to GRAP 9 - *Revenue from Exchange Transactions*, which requires that revenue be recognised in the period in which it was earned. There were no alternative audit procedures that I could perform to obtain the financial misstatement effect of this deviation from the accounting framework. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of prepaid electricity income included in service revenue of R170 480 353 (2009: R116 289 243).

Trade and other receivables from exchange transactions

13. In terms of the International Accounting Standards 39 and International Financial Reporting Standards 7, Receivables should be stated at their present value in the financial statements as at year end, with the difference between the nominal amount and the present value recognized as interest income over the financing period. Receivables were not present valued at year end, this has resulted in an understatement of interest income of R866 338, overstatement of accounts receivables of R1 823 391 and an overstatement of revenue of R2 689 729 and not properly disclosed as a class of financial assets.
14. An impairment provision loss has not been recognised for all types of receivables in accordance with South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial instruments: Recognition and measurement*. Our estimate of the amount which should have been provided for is R88 361 387. Receivables of R165 154 233 (2009: R162 414 666) as disclosed in note 2 to the financial statements is overstated and bad debt adjustment is overstated by R88 361 387.
15. Further, the municipality has incorrectly accounted for indigent subsidies amounting to R21 878 029. This amount has been included as a bad debt write off within the Statement of Financial Performance and should have been accounted for as an indigent rebate.
16. Indigent application forms were not adequately completed resulting in an understatement of receivables and revenue by R455 642. I was therefore unable to confirm the accuracy of the indigent subsidy and the valuation of the receivable for this amount.

Trade and other payables from exchange transactions

17. The Trade payables balance of R42 356 979 (2009: R83 200 838) as disclosed in note 11 of the financial statements did not reconcile between the financial statements and the underlying accounting records and the supporting schedule provided for audit purposes did not reconcile to the balance disclosed in note 11 to the financial statements. Consequently, the Trade payables balance is misstated by R10 949 582 and R25 849 110 respectively. Further, supporting documentation of R660 373 was not supplied for audit. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of Trade creditors and Accruals within the financial statements.
18. The leave balance of employees could not be verified as the leave records of the municipality have not been adequately maintained. As a result I am unable to conclude if the accrual of R15 244 270 (2009: R12 291 505) as disclosed in the Statement of Financial Position and note 11 to the financial statements is misstated by R2 884 505. Further, the leave accrual listing supplied for audit purposes did not reconcile to the financial statements by R1 139 276.
19. Included in Trade and other payables are suspense accounts for uncleared deposits to the value of R6 168 000. No information could be provided to confirm the balance of these accounts. The municipality's records did not permit the application of alternative audit procedures regarding the appropriate audit evidence to satisfy myself as to the existence, obligations, completeness and valuation of the accounts payable clearing accounts.
20. In terms of International Accounting Standard 39 and International Financial Reporting Standards 7, Payables should be stated at their present value in the financial statements as at year end, with the difference between the nominal amount and the present value recognized as interest income over the financing period. Payables were not present valued at year end, this has resulted in an understatement of interest income of R5 180 474, overstatement of payable of R1 862 642 and an overstatement of expenditure of R7 043 116 and not properly disclosed as a class of financial assets.

Call investment deposits

21. The call investment deposit balance of R151 314 489 (2009: R93 497 533), as disclosed in note 5 to the financial statements, does not agree to the balance of R148 682 779 as disclosed in the bank confirmations. The municipality did not reconcile the difference of R2 631 710 between the financial statements and the bank confirmations. Consequently, the call investment deposit is overstated by R2 631 710. There were no alternative audit procedures that I could perform to obtain to confirm the investment deposits. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of call investment deposits.

Employee related costs

22. The municipality could not provide sufficient appropriate audit evidence to support adjusting journal entries of R5 307 453. There was no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that employee related costs were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to effect of these journals on the financial statements.

Remuneration of councillors

23. Unemployment Insurance Fund contributions were not paid on behalf of the Mayor, executive council members and part-time councillors as required by Section 5(1) and (2) of the Unemployment Insurance Contributions Act 4 of 2002. Furthermore, the municipality did not provide for penalties and interest on these contributions owing since inception of the Act. Consequently finance costs, payables and employee related costs are understated by R627 498.
24. Logbooks were not provided by the municipality to support the entitlement of councillors to reimbursive travel allowances included within the motor allowances of R3 715 338 paid to the councillors during the year under review. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and classification of the remuneration of councillors.

Repairs and Maintenance

25. Included in the Statement of Financial Performance is Repairs and Maintenance of R8 421 985 (2009: R9 117 924). Supporting documentation for expenditure to the value of R2 692 528 has not been provided. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance that repairs and maintenance were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to balance on the financial statements.

General expenditure

26. Included in the Statement of Financial Performance is General expenditure of R70 957 409 (2009: R44 355 935) included in note 31. Supporting documentation for expenditure to the value of R3 444 217 had not been provided. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance that general expenditure was properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to accuracy, occurrence and classification on the financial statements.

Retirement benefit information

27. The municipality could not provide sufficient appropriate audit evidence to support the Defined benefit plan liability of R19 500 000 (2009: R14 200 000) and the R178 800 000 of assets to finance the liability as disclosed in Note 40.1 of the financial statements. There were no alternative audit procedures that I could perform to obtain reasonable assurance. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of the defined benefit plan. The Defined benefit plan liability has not been disclosed in terms of International Accounting Standards 19, *Employee benefits*.

Value Added Tax

28. Amounts reflected on the VAT returns for the year under review did not agree to the amounts reflected in the general ledger and I was unable to reconcile an amount of R10 814 795. Consequently, I was unable to verify the completeness and existence of the VAT receivable of R35 351 536 (2009: R20 631 276) included in note 13 of the financial statements.
29. The municipality has claimed VAT deductions based on invoices that are not considered a valid tax invoice in terms of the VAT legislation. The municipality has inconsistently applied zero rated and exempt status transactions within conditional grants and has inconsistently applied the prescribed VAT rate. Consequently, the VAT receivable is overstated by R16 631 389. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to rights and obligations of the VAT receivable on the financial statements.

Provision for landfill site

30. A Provision has not been made for the environmental rehabilitation costs of restoring the municipality's landfill sites. A provision should be made for the municipality's present obligation incurred as a consequence of its' past use of the landfill sites in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, contingent liabilities and contingent assets*. In addition, the municipality has an obligation in terms of section 28 of the National Environment Management Act, 1998 (Act No. 107 of 1998) to restore such sites. The municipality does not assess the remaining useful life of all their landfill sites. Detailed records of the capacity of one of the landfill sites was not made available by the municipality's engineers. Consequently, a provision for the rehabilitation of landfill sites has not been made in the financial statements. Under these circumstances, I was unable to determine the extent of the misstatement. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance.

Contingent liability

31. The municipality disclosed Contingent liabilities of R1 000 000 (2009: R9 700 000) in note 41 of the financial statements. External confirmations received confirmed that the contingent liabilities were understated by R5 833 318.

Irregular and unauthorised expenditure

32. Section 62 of the Municipal Finance Management Act, (Act no. 56 of 2003) requires the municipality to implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. Expenditure made in contravention of the supply chain management requirements amounting to R51 313 009 was identified.
33. In addition, expenditure amounting to R1 477 478 was not authorised as it exceeded the budget. The amount was not included in unauthorised expenditure, disclosed in note 37.1 to the financial statements resulting in unauthorised expenditure being understated by R1 477 478.

Inventories

34. Standards of Generally Recognised Accounting Practice, GRAP 12, *Inventories*, requires Inventory to be measured at the lower of cost and net realisable value. Warehouses for the maintenance materials and spare parts of R744 330 and R284 250 respectively (2009: R744 330; R284 250) as disclosed in note 4 were written off in the year; however this has been included in inventory.
35. The adjustments noted at the year end inventory count were not processed into the inventory system, this has lead to the consumable stores of R4 154 262 (2009: R960 540) as disclosed in note 4 being overstated by R3 031 599. Obsolete and redundant inventory amounting to R 186 435 was also not written down to their net realizable value.
36. The value of the township houses of R26 074 000 (2009: R26 074 000) disclosed in note 4 does not include the value of the houses built on the land amounting to R61 588 000. It was also noted that land included in the valuation roll amounting to R10 974 000 has not been disclosed on the land/ inventory register.
37. This has resulted in inventory of R31 256 841 (2009: R28 063 120) as disclosed in note 4 being understated by R46 553 821, expenditure being understated by R4 060 179 and the revaluation surplus being overstated by R50 614 000.

Government grants and subsidies, Grants and subsidies paid and Unspent conditional grants and receipts

38. The unspent conditional grants and receipts R106 031 871 (2009: R75 555 310), disclosed in note 14 to the financial statements, included a misstatement in the prior year balance of R3 474 674, due to some unspent grant amounts being incorrectly recognised as revenue. Taking this amount into consideration, the year end unspent conditional grants has been overstated by R4 699 101. The difference being due to limited controls implemented by the municipality over conditional grants.
39. Included in the unspent grants and receipts balance is an amount of R4 475 185 (2009: R9 208 873) which represents subsidies from the Department of Local Government and Housing, which has been incorrectly classified. These amounts represent Long Term Liabilities in terms of the agreements inspected during the audit.
40. Supporting documentation for housing subsidies to the value of R2 060 179 has not been provided. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance that housing subsidies were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to classification on the financial statements.

41. Included in the Statement of Financial Performance is grants and subsidies paid of R18 727 246 (2009: R22 404 322) included in note 30. Supporting documentation for expenditure to the value of R1 361 333 had not been provided. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance that grants and subsidies paid were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to accuracy and classification on the financial statements.
42. Included in the Statement of Financial Performance is Government grants and subsidies of R289 543 466 (2009: R242 629 801) included in note 22. Reconciliation has not been provided for grant revenue recognised to the value of R619 392. There was no satisfactory alternative audit procedure that I could perform to obtain reasonable assurance that grant revenue were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness on the financial statements.

Capital commitments

43. Differences were noted between the approved and contracted for amounts and between the approved but not yet contracted for commitments. This has lead to an overstatement of capital commitments as disclosed in note 39 of R210 851 679 (2009: R247 292 419) by R8 358 779.

Corresponding figures

44. The audit report on the financial statements for the year ended 30 June 2009 was modified. No adjustments have been effected to the financial statements to correct the matters raised in the prior year audit report. As a result, the effect of the prior year uncertainties has an effect on the accumulated surplus and balance sheet items. The municipality has not addressed the issues raised in the previous audit report and as required by section 131 (1) of the MFMA.
45. The municipality has not adjusted their corresponding figures with individually immaterial misstatements which when aggregated amount to R8 484 700 and as a result the comparative figures of the financial statements are materially misstated by the same amount.

Statement of changes in Net Assets

46. The Statement changes in Net Assets is not in compliance with the disclosure requirements of GRAP 3, *Accounting policies, changes in accounting estimates and errors*.

Cash flow Statement

47. Standards of Generally Recognised Accounting Practice, GRAP 2, *Cash flow statements*, requires that the financial statements present fairly the financial position, financial performance and cash flows of an municipality. Internal controls were not put in place to ensure that the financial statement are accurate. The cash flow statement had casting errors amounting to R25 997 549.

Disclaimer of opinion

48. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion of these financial statements.

Emphasis of matter

49. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

50. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of prior year errors.

Matters important to the users of the financial statements:**Contingent liabilities**

51. With reference to note 41 to the financial statements, the municipality is a defendant in claims against the municipality. The municipality is opposing the claims. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. Two significant responses where litigation is pending are:

- Land claim
- Breach of lease agreement

Councillors Arrear Accounts

52. As disclosed in the note 38.5 to the financial statements, Councillors of the municipality had arrear consumer accounts amounting to R 121 268 of this amount R96 848 related to amounts outstanding for more than 90 days.

Irregular expenditure

53. As disclosed in note 37.3 to the financial statements is irregular expenditure of R2 482 746 which related to irregular expenditure of the prior year. This amount was condoned during the current year.

Management representation letter

54. Management did not provide their latest management representation letter although this letter was requested.

Additional matter**Unaudited supplementary schedules**

55. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

56. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations, and financial management (internal control).

Predetermined objectives

57. Material findings on the report on predetermined objectives, as set out on pages XX to XX, are reported below:

Usefulness of information

58. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

The following objectives reported on in the annual performance report were not included in the integrated development plan and the service delivery implementation plan:

- Compliance with National Building Standards Act,
- Capacity Building,
- Filing of Vacant Posts,
- To promote economic development,
- Monitor and control applications for containers and caravans to avoid influx within the central business district,
- To liaise with government and deal directly with the public for implementation of projects

There was no logical link between the reported objectives, indicators and targets for the following objectives:

- Implement and administer land use management system and regulations to ensure that applicable legislative and administrative procedures are followed in terms of land use control
- Electricity
- Compliance with National Building Standards Act

The following indicator/measure per objective were not well defined, specific and understandable:

- Approved projects completed within the financial year,
- 71km to be completed within financial year of 2009/2010
- Pothole patching
- Sidewalk repairs
- Storm water cleaning
- Manhole repairs
- Maintenance of street lights
- Visibility of lights in suburbs where there are street lights
- Maintenance of substations & transformers
- Laying & replacing of cables
- Establishment of line in all Townships
- Maintaining Municipal assets

- Servicing Municipal fleet
- Amended Town Planning Scheme aligned with Master Plan
- Rem of Maydem Farm 70 sites
- Formalization of the existing settlement in alignment with the BNG principles and the Memorandum of Understanding with the Department of Housing
- Zimbane (50 ha=1500 units)
- Number of building plans finalized within 3months of receipt
- All vacant post must be filled

The following indicators were not measureable.

- Fully comply with DORA responding requirements
- Pothole patching
- Sidewalk repairs
- Storm water cleaning
- Gravel access roads
- Manhole repairs
- Maintenance of street lights (Robots)
- Visibility of light in suburbs where there are street lights
- Maintenance of substation and transformers
- Laying of cable and replacing dilapidated reticulation
- Establishment of line in all townships
- Maintaining municipal assets ,servicing municipal fleet
- 380 Houses in zimbane
- 250 houses in ilitha ,6 pilot houses (BNG),BNG pilot programme
- Maydem farm 70 house
- Land made available for development
- Processing of application in an inefficient manner
- Processing of building plans

The annual performance report did not include the measurable targets for the following objectives:

- Scrutinizing and Approval of plans - Number of building plans finalized within 3months of receipt
- Contravention notices - Monthly portfolio reports indicating the number of contraventions attended to
- Site Inspections and issuing completion certificate - To ensure that 80% of all site inspections are done within 48 working hours (6days) of request
- Pothole Patching
- Sidewalk repairs
- Storm water cleaning
- Manhole repairs
- Identification of land for the new cemetery
- Erf 2784 for Taxi rank and shopping complex

Reliability of information

59. The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the municipality i.e. can the reported performance information be traced back to the source data or documentation?

- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

The reported performance could not be traced back to source data as no supporting information was provided for audit purposes for the following indicators:

- Monitor the project implementation - Regular site visits and monitoring is conducted weekly and as when required with PSC meeting held monthly on site An ongoing activity done by PMU project team
- Maintenance of street lights
- Maintenance of Robots an ongoing program, the problem being the construction of Nelson Mandela Drive where robots cables are being interfered with causing problems with robots
- Visibility of lights in suburbs where there are street lights
- Maintenance of substations & transformers
- Laying and replacing of cables
- Establishment of line in all Townships
- Geographical Information System (GIS) training
- Formulate policy documents with regard to the use of land for adoption by Council as a guiding and planning tool
- Zimbane (50 ha=1500 units)
- Formalisation and development of the existing settlements known as Mandela Park, Chris Hani Park and Slovo Park in Mthatha West Informal (6000 units)
- Liaise with government and deal directly with the public in order to seek approval of land use applications and township establishments
- Either by phoning, written correspondence and meetings

Performance for the following objectives would not be verified as adequate supporting information was not provided.

- Maintaining municipal assets,
- Servicing fleet
- 782 Houses at Zimbane Valley
- 463 Houses at Ilitha
- Monitor and control applications for containers and caravans to avoid the influx within the Central Business District.

The objectives listed below were reported on in the incorrect period:

- Relaying paving slabs at Sutherlands street & Building additional room at stores
- 450 house at waterfall

There are no controls in place to ensure that information ultimately included in the performance report is accurate and measurable as there was no evidence of review of the monthly reports.

The performance information reported was not accurate as the actual performance achieved per the annual performance report for the year under review did not take into account the results of all the quarterly reports thus we were unable to verify and measure actual performance achieved.

Compliance with laws and regulations

Municipal Finance Management Act of South Africa, No 56 of 2003 (MFMA)

60. Contrary to the requirements of section 166(2)(a) of the MFMA, the audit committee did not advise the municipal council, the political office bearers, the Accounting Officer and the management staff of the municipality, on matters relating to:
- internal financial control and internal audit
 - risk management
 - accounting policies
 - the adequacy, reliability and accuracy of financial reporting and information
 - performance management
 - effective governance
 - compliance with the MFMA, the DoRA, Municipal Structures Act, Municipal Systems Act, National Environmental Management Act Unemployment Insurance Contributions Act, Municipal Rates Act, Value Added Tax Act and any other applicable legislation
 - performance evaluation
61. Contrary to the requirements of section 166(2)(b) of the MFMA, the Audit Committee did not review the annual financial statements to provide the council of the municipality, with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA, the DoRA and any other applicable legislation.
62. Contrary to the requirements of section 166 (4) of the MFMA, the audit committee did not meet as often as was required to perform its functions, but at least four times a year.
63. Contrary to the requirements of section 165(2) of the MFMA, the internal audit unit of a municipality did not:
- prepare a risk-based audit plan and an internal audit program for each financial year
 - advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to:
 - i. internal audit
 - ii. internal controls
 - iii. accounting procedures and practices
 - iv. risk management
 - v. performance management
 - vi. loss control
 - vii. compliance with the MFMA, the DoRA and any other applicable legislation perform the duties assigned to it by the Accounting Officer.
64. Contrary to the requirements of section 62(1) of the MFMA, the Accounting Officer did not comply with his legislative responsibility of managing the financial administration of the municipality by not taking reasonable steps to ensure that:
- the municipality had and maintained effective, efficient and transparent systems of:
 - i. financial management and internal controls
 - ii. internal audit operating in accordance with any prescribed norms and standards
65. Contrary to the requirements of section 65(2)(e) of the MFMA, expenditure was not paid within the required 30 days from the receipt of an invoice, or such a period as prescribed for certain categories of expenditure.
66. Other material non compliance includes non compliance with sections 14, 16, 45, 46, 53, 63, 69, 74, 79, 94, 95 and 99.

Division of Revenue Act of South Africa, No 12 of 2009 (DoRA)

- 67. Contrary to the requirements of section 15 and 47 of DoRA the municipality did not adhere to the conditions attached to conditional grant.
- 68. Further numerous findings were identified around the control and management of these grants include the identification and recognition.

National Environmental Management Act No. 107 of 1998

- 89. Contrary to the requirements of section 11, 20 and 28 the municipality has not included an adequate provision for the rehabilitation of landfill sites.

Unemployment Insurance Contributions Act No. 4 of 2002

- 70. Contrary to the requirements of section 5, 7, 12 and 13, the municipality has not adequately accounted for UIF on Councillors remuneration.

Value Added Tax Act No. 89 of 1991

- 71. Contrary to the requirements of section 20 and 28, the municipality has not adequately applied the requirements of the VAT Act. The municipality has claimed value added tax deductions based on invoices that are not considered a valid tax invoice in terms of the VAT legislation. The municipality has inconsistently applied zero rated and exempt status transactions within conditional grants and has inconsistently applied the prescribed VAT rate.

INTERNAL CONTROL

- 72. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the Municipal Finance Management Act, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- 73. The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

- 74. Oversight responsibility over reporting, predetermine objectives and compliance with the laws and regulations and internal control was not exercised by the Accounting Officer. An adequate process to ensure the review of the annual financial statements prior to submission to the Auditor General was not performed, resulting in numerous misstatements of the financial information. This was also evidenced by the numerous instances of non-compliance with laws and regulations and the internal control deficiencies that were noted throughout the audit process. Personnel are not aware of the allocation of duties, responsibilities and lines of reporting, resulting in a lack of segregation of duties and the opportunity for fraudulent activities to take place. This is as a result of an organisational structure that does not support and promote a system for proper recording, monitoring and supervision of controls.
- 75. Systems are not always documented in the policy and procedure manual and the results of the monitoring process are not routinely communicated to all managers and staff. This was particularly evident with regards to the inventory and asset management where results of inventory/asset counts were not reported and discrepancies adequately followed up and addressed. Key policies and procedures were not in place.

76. The action to mitigate emerging risks, implement corrective measures and address non performance was not adequately addressed. The municipality has also did not properly analyse the control weaknesses and implement appropriate follow-up actions that adequately address the root causes. This has resulted in the qualifications from the prior year report being repeated in the current year.

Financial and performance management

77. Reliable financial statements and management information are not prepared by the municipality. The municipality provided supporting schedules for the financial statement but these in many cases did not agree with the amounts disclosed in the financial statements. Reconciliations were prepared during the year however, the reconciling items were not corrected and where these items were corrected were not always supported by adequate supporting documentation.
78. The municipality does not have adequate financial systems in place to ensure compliance with the basis of accounting. As a result, pertinent information relating to the disclosure items in the financial statements is not identified and captured in a form and time frame to support financial and performance reporting.
79. The municipality does not have proper record keeping and record management processes in place to ensure that the documentation supporting the amounts and disclosures in the annual financial statements are properly filed and easily retrievable. Information requested for audit purposes were not readily available as significant delays were experienced throughout the audit process. In some cases, the documentation was not received at all which resulted in a limitation of scope being placed on the audit.

Governance

80. Risk identification and management processes are not designed to identify changes in processes or risks and verify that the design of underlying controls remain effective. The municipality has not selected and developed internal controls to prevent, detect and correct material misstatements in financial reporting and reporting on predetermined objectives.

Auditor-General

East London

30 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Detailed Response to Auditor-General

Council resolutions adopting the Annual Report